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Gorbachev's Visit: Farewell and Hello

By Don Oberdorfer and Lou Cannon Washington Post Service WASHINGTON — The talks scheduled to take place over lunch Wednesday on Governors Island in New York harbor will mark the end of the Reagan era in U.S.-Soviet relations and a passing of the torch to President-elect George Bush, according to U.S. officials.

ago. Mr. Gorbachev had decided to visit the United Nations in New York, Mr. Dubinin told the surprised Mr. Shultz in a hastily arranged Sunday evening meeting Nov. 13 in the deserted State Department, and believed it was "a good time to say goodbye to the president and hello to the vice president."

A Soviet Communist Party official said Sunday that Mr. Gorbachev's visit would represent "a Christmas gift to the American people and to mankind."

United Nations General Assembly on Wednesday morning. Mr. Shishlin voiced optimism about that session as well, predicting, "The Soviet-American dialogue will go forward and, by mutual efforts, I think we can kill the Cold War."

American relations represented a "totally different picture" from the tense Cold War days. Mr. Gerasimov said that the superpower meeting would provide continuity in bilateral relations as the United States prepared to inaugurate Mr. Bush to succeed Mr. Reagan. "Continuity is the name of the game," he said.

Mr. Reagan, in his weekly radio address broadcast Saturday from Camp David, said that he felt nostalgic as he prepared for his fifth and final concave with Mr. Gorbachev and that he would use the luncheon meeting to introduce Mr. Bush as a man who "represents change, yes, but also continuity."

Mr. Bush, who first met the Soviet leader for 85 minutes in March 1985 at the funeral of Mr. Gorbachev's predecessor, Konstantin U. Chernenko, held a 25-minute private conference and breakfast meeting with Mr. Gorbachev during the Washington summit meeting a year ago.

China Sees Limit to Soviet Tie

By Nicholas D. Kristof New York Times Service BEIJING — With a Chinese-Soviet summit meeting next year all but certain, the Chinese seem to expect not just an end to nearly three decades of quarrels but also the emergence of a broad network of commercial, diplomatic and academic links.

the Soviet Union in 31 years, said in Moscow that both sides favored a meeting between Mikhail S. Gorbachev, the Soviet premier, and Deng Xiaoping, the senior Chinese leader. The conference, expected to take place in Beijing in the first half of 1989, apparently will formally end the Chinese-Soviet split.

Mr. Deng, in an interview published Saturday, suggested that relations should improve but also cautioned that "the 1950s-style Chinese-Soviet relationship, built on 'comradeship' and 'alliance,' is a thing of the past."

Chinese companies want dollars, not rubles, Chinese consumers want Japanese televisions, not Soviet ones. Chinese students yearn for admission to graduate schools in Boston, not Leningrad.

Mr. Bush has cautiously chosen to minimize his role in the session Wednesday by attending as vice president rather than as president-elect. He is expected to make only general statements about the policies and intentions of the next administration. High-level incoming officials such as the secretary of state-designate, James A. Baker 3d, and the national security adviser-designate, Brent Scowcroft, will not be present.

Now, the Super-Spy Satellite

By William J. Broad New York Times Service NEW YORK — The secret payload of the space shuttle Atlantis is the first of a new class of spy satellites that uses radar to peer through clouds and darkness, civilian experts on methods of military surveillance say.

In contrast, the current generation of spy satellites, which use photography instead of radar, often have to wait days, weeks and sometimes months to photograph a target if weather and lighting are unfavorable.

The satellite, they added, promised to be able to peer beneath some types of foliage and camouflage, opening up new realms for surveillance from space. They noted that in 1981 an experimental radar aboard a U.S. space shuttle unexpectedly penetrated up to 16 feet (5 meters) into the dry sands of the Sahara, revealing traces of ancient rivers that had carved out valleys as broad as those of the present Nile.

Experts see the craft as a powerful new way to advance the space monitoring of planes, tanks, ships, troops, mobile missiles and other items of military interest that can move rapidly.

John E. Pike, head of space policy for the Washington-based Federation of American Scientists, said that the new satellite had a host of "war fighting capabilities" since it could produce images so rapidly. "This is the first intelligence satellite we've put up that has primarily a wartime function as opposed to

See SHUTTLE, Page 5

Kiosk Pérez Leading Venezuela Vote CARACAS (AP) — Carlos Andrés Pérez, a former president, was leading his major opponent by a substantial margin and appeared to be heading to victory in a presidential election in Venezuela on Sunday, according to exit polls.

Television networks projected that Mr. Pérez, 66, the candidate of the center-left Democratic Action party, would beat Eduardo Fernández of the Social Christian Party by at least 54 percent to 32 percent.

Additional significance was pointed out by William E. Burrows, director of scientific and environmental reporting at New York University and author of "Deep Black," a book about military satellites and space espionage.

He said military officials considered the satellite crucial to policing the treaty recently signed by the United States and the Soviet Union to eliminate intermediate-range nuclear weapons in Europe, most of which are mobile.

"At this time of year," Mr. Burrows said, "clouds cover Eastern Europe and the Soviet Union about 70 percent of the time. The intelligence types have to be able to see under them."

NATO to Ask East Bloc For Huge Cuts in Arms

By Michael R. Gordon New York Times Service WASHINGTON — In planning for coming talks on reducing conventional arms in Europe, NATO nations are preparing a plan that would require Soviet-bloc nations to make huge cuts in tanks, other armored vehicles and artillery, according to American and West European officials.

The proposals would cut by two-thirds the Soviet force of more than 37,000 tanks stationed in Eastern Europe and Soviet territory west of the Ural Mountains.

American officials say the NATO proposal would reduce the total number of tanks to about 20,000 on each side, though a precise number has not yet been set. Warsaw Pact nations now have at least 57,300 tanks, according to

See ARMS, Page 5

in return, Western nations would make only small weapons cuts because the proposal is designed to eliminate Soviet advantages in heavy ground weapons. Western nations hope to approve, and perhaps announce, important elements of the proposals when Secretary of State George P. Shultz meets with other North Atlantic Treaty Organization foreign ministers in Brussels this week, a State Department official said.

General News EC leaders acted to avoid a clash over the U.S. denial of a visa to Yasser Arafat. Page 2. The PLO and the U.S. reached a secret understanding on terrorism in 1974. Page 4. Business/Finance British Aerospace is considering cooperation with Thomson-CSF of France. Page 13. The currency markets signaled that U.S. interest rate increases are needed to support the dollar. Page 13. Special Report "Internationalization" is a near universal word in Japan today, but few agree on its real meaning. Pages 7-12.

In the Iran-Contra Arms Affair, Yet Another Controversy

By Bob Woodward and Walter Pincus Washington Post Service WASHINGTON — Amiran Nir, the former Israeli official who died in a Mexican plane crash Wednesday, said in June that a confidential Israeli-American agreement authorized still-secret counterterrorist operations that he and Colonel Oliver L. North supervised in 1983 and 1986.

U.S. and Israeli officials confirmed that there was an Israeli-American agreement, referred to as "terms of reference" or "accords" by some officials. Its existence has never been disclosed to Congress, according to U.S. sources familiar with it.

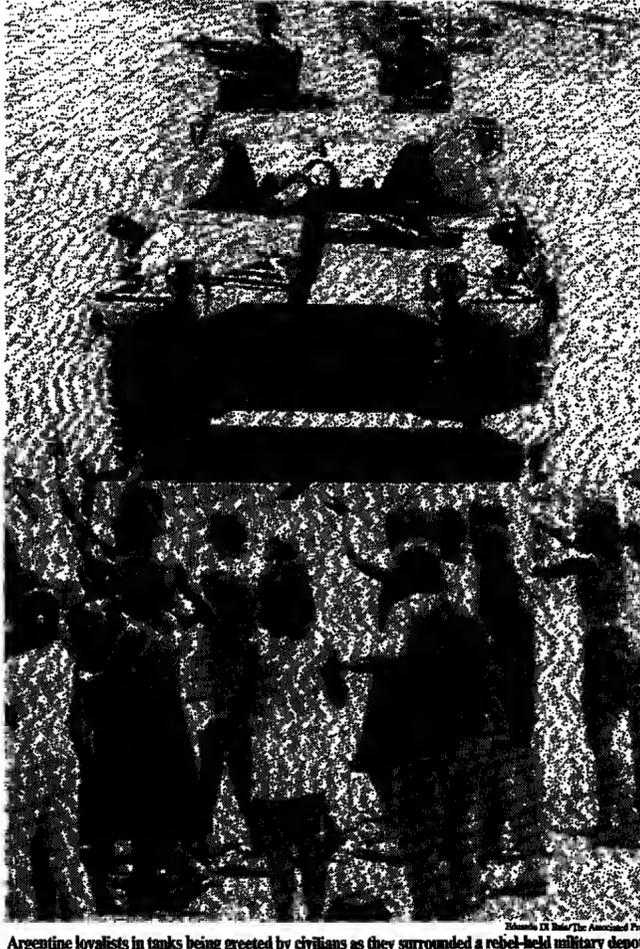
A White House spokesman said that the Reagan administration would have no comment on the agreement or any operations that might have been conducted under it.

Mr. Nir disclosed the existence of an agreement during interviews in London in June. He maintained that under the accords secret U.S.-Israeli covert operations were authorized by President Ronald Reagan and Shimon Peres, who was then the Israeli prime minister.

Mr. Nir was interviewed for 13 hours on June 25 and 26 in London. He discussed some of his activities with the understanding that these were preliminary and "private" conversations.

Mr. Nir was a central figure in many aspects of the affair. He was cited by Colonel North as the originator, in November 1983, of the idea of generating profits from arms sales to Iran to fund other covert projects.

JOHN and RO RENÉ FRANK Interns Tel. (1) Editor: Frank Management Gen. Mgr. Pres. Mgr. S.A. Inc.



Argentine loyalists in tanks being greeted by civilians as they surrounded a rebel-held military depot.

Mutiny Ends in Argentina

Alfonso Says Rebels Are Given No Concession

BUENOS AIRES — The Argentine government claimed victory Sunday night in a four-day showdown with army rebels. The rebels surrendered, and the government did not give in to their demands, spokesmen said. "This has been a really important success," President Raúl Alfonsín said. "There were no concessions of any kind."

U.S. Revises Plan to Defend Mideast Oil

By Richard Halloran New York Times Service McDIALL AIR FORCE BASE, Florida — The United States command responsible for American military operations around the Gulf has drastically revised its strategy for defending the oil fields of the Arabian Peninsula against Soviet or Iranian attack.

General George B. Crist, a Marine officer who just retired as head of the Central Command, said that 18 months of operating in the Gulf has opened new opportunities for United States military cooperation with Saudi Arabia, Bahrain, Oman and other Gulf states. In addition, he said, experience has brought the command from "adolescence to young adulthood."

Under a revised strategy, General Crist said, American land forces backed by ships in the Gulf and the Arabian Sea and aircraft based in Saudi Arabia, Oman and other Gulf states would seek to hold strong points at the head of the Gulf, across the strait leading into the Gulf and at other critical points.

Back to preserving Western access to oil from that region. After the Soviet Union went into Afghanistan in late 1979, President Jimmy Carter vowed that the United States would maintain access to the oil resources around the Gulf, with military force if necessary. President Ronald Reagan renewed that pledge.

See GULF, Page 5

The Montreal Message: Overhaul World Trade

By Reginald Dale International Herald Tribune MONTREAL — The world trading system, just over 40 years old, is showing signs of stress. It has not yet reached mid-life crisis, though some fear that it risks doing so if not given proper attention.

But there is general agreement that the free trading system established after World War II, at the height of U.S. power, now needs a thorough overhaul. If not, it is unlikely to be able to cope with the major uncertainties, and potential protectionist perils, that lie ahead.

Starting Monday in Montreal, the top trade representatives of 105 countries will try to give new impetus to the extraordinarily complex mission of updating the system to meet the needs of the 21st century, a process they began two years ago in Punta del Este, Uruguay.



THE ARTIST'S EYE — The Soviet poet Yevgeni Yevtushenko, focusing on a bypasser Sunday at the Western Wall in Jerusalem. Mr. Yevtushenko, 55, whose "Babi Yar" helped establish his reputation in the West, was on his first trip to Israel, where he will give poetry recitals.

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سكرا من الأصل

The Cambodian Knot: Some Vietnamese Solutions

Before Foreign Minister Qian Qichen of China started his three-day meeting in Moscow, he said that Cambodia was the main obstacle to a Chinese-Soviet summit meeting, China and the Soviet Union announced on Friday that a meeting would be held in 1989. In Hanoi on Friday, Tran Quang Co, Vietnam's deputy foreign minister and a Cambodia specialist, discussed the interlocking relations between Vietnam, the Soviet Union, China and Cambodia with Michael Richardson of the International Herald Tribune.

Q. Are China and Vietnam moving closer together on terms for a mutually acceptable political solution of the Cambodian conflict?

A. There are two keys. We have the key to withdrawal of Vietnamese forces. China has the key to preventing a Khmer Rouge comeback. So we have to narrow our differences. We would like to have direct talks with China in a compromise. For example, China recently asked that Vietnam put forward a more detailed timetable for a more rapid pullout. But we would also like China to be more flexible and realistic on cessation of military aid to the Khmer Rouge.

We do not want to create a difficult situation for China. We are not asking only

China to halt assistance. We are proposing that every country, including Vietnam, would have to stop military aid and support for every Cambodian party, including the People's Republic of Kampuchea, the PRK. That is an equal and fair proposal.

Q. Is Vietnam ready to permit an international peacekeeping force to enter Cambodia, perhaps for a specified period, to facilitate the early stages of a cease-fire and

MONDAY Q&A

political settlement? What is the attitude of the Vietnam-supported PRK government in Phnom Penh?

A. This is another issue where differences remain between us and China. We believe it is necessary to have an international commission for control and supervision in Cambodia. But we are not yet convinced that it is necessary to have a foreign military force to keep the peace inside Cambodia after our troops leave. We think it preferable to let the Cambodian parties decide what to do.

However, Vietnam and the PRK believe that whatever form is chosen must respect the sovereignty of Cambodia's administration and only report violations of the cease-fire agreement to the administration, not directly settle them.

Q. There is another major point of difference with China over power-sharing be-

tween the PRK and its Cambodian opponents, including the Khmer Rouge, in a political settlement. Is Vietnam prepared to be flexible over the plan endorsed by China for an interim government of national reconciliation and an army drawn from all four contending groups in Cambodia?

A. We have no voice on that question. It is an internal problem for the Cambodian parties to discuss and agree among themselves. We will respect their decision.

Q. Do you think it is helpful that the Soviet Union and China are discussing detailed terms for a Cambodian settlement? Would it not be better for Vietnam and China to have bilateral negotiations?

A. China and the Soviet Union are two big powers in Asia. An improvement in their relations would improve the chances of peace for the whole region. That is something to be welcomed.

Q. Is there any risk that the Soviet Union, which wants to normalize its relations with China, may do so at the expense of the national security interests of Vietnam in Cambodia?

A. I don't think so. We trust fully our friends in Moscow. Mr. Gorbachev has more than once solemnly declared that improvement in relations between the Soviet Union and China will not be at the expense of third countries.

Q. What are the prospects now for a settlement of the Cambodian conflict?

A. We think that Cambodia, under the able leadership of the PRK, is on the way to being able to look after its own security. So we are ready to withdraw all our troops from Cambodia, even without a political solution, by the end of 1990. If there is a political solution, we have offered to pull out by the end of 1989 or early in 1990.

Q. Will Vietnam withdraw if there is no guarantee from China and Thailand that aid to the Khmer Rouge and other resistance groups will stop?

A. We would prefer a negotiated solution to the Cambodian problem. But that depends on China and Thailand agreeing to stop their aid, especially to the Khmer Rouge. We think that without continued military support from outside, the PRK forces will be able to deal with the remaining Khmer Rouge.

Q. If the Khmer Rouge reasserted control in Cambodia, would Vietnam stand by and do nothing?

A. I don't think Vietnamese troops, having left Cambodia, will go back again. Once is enough. We are a poor country. The only way to get a durable peace in Cambodia is through a negotiated settlement. Such settlement is important for stability in Southeast Asia.

Bhutto Picks 3 Seasoned Outsiders in First Cabinet

ISLAMABAD, Pakistan — Prime Minister Benazir Bhutto appointed her first cabinet on Sunday, bringing in three seasoned outsiders to make up for the lack of experience in the ranks of her Pakistan People's Party.

A group of special advisers to the prime minister with ministerial rank included a former central bank president, V.A. Jaffrey, and a retired diplomat, Iqbal Akhund.

Pakistan's longtime foreign minister, Sahabzada Yaqub Khan, who served under the former president, Mohammed Zia ul-Haq, also agreed to stay on.

Miss Bhutto, 35, named 23 ministers, ministers of state and special advisers, all of them men. They were sworn in by the acting president, Ghulam Ishaq Khan, and held their first cabinet meeting.

The minister of state for information, Javed Jabbar, said Miss Bhutto kept the portfolios of finance, defense, education, planning and petroleum to herself for the time being, but would probably add to her cabinet.

Drug Ministry Planned

Richard M. Weintraub of The Washington Post reported earlier from Islamabad:

Miss Bhutto says she will set up a new ministry to fight the growth, distribution and use of drugs, a step expected to be highly welcomed by the United States.

On Saturday, her first full day as prime minister, Miss Bhutto also moved to fulfill her promise to end injustices under the martial-law government of the previous president, Mohammed Zia ul-Haq.

She announced a range of measures to reduce or cancel prison terms for several categories of prisoners. Hundreds of prisoners would be released immediately, she said, and hundreds of others would have their prison terms reduced.

In an impassioned response to a question at her first news conference as prime minister, Miss Bhutto said that narcotics was "the No. 1 national issue."

"It must be controlled," she said. "It is an issue of the youth of Pakistan, the future of Pakistan. I have personally seen families that have been destroyed because their children have been on heroin."

Pakistan's North-West Frontier Province is a major growing area for poppies, from which heroin is produced, and also serves as a conduit for opium produced in Afghanistan. It is one of two primary regions from which heroin reaches the United States and Western Europe. Washington has pressed Pakistan for years to step up its fight against heroin.

Pakistan itself has begun to suffer a growing problem with drug addiction, with hundreds of thousands of addicts nationwide, compared to a handful 10 years ago.

On foreign affairs, Miss Bhutto stressed that she was determined to avoid major changes. She underscored this by saying that she had asked Mr. Yaqub Khan to stay on as foreign minister.

Miss Bhutto said that she hoped to strengthen ties with the United States, which she thanked for the "moral support for the restoration of democracy" in Pakistan.

Repeating previous pledges, she said there would be no change in Pakistan's support of Afghan guerrillas in their drive to force Soviet troops from Afghanistan.

Miss Bhutto acknowledged that Pakistan had deep economic troubles and said a decision would have to be made quickly on whether her government would endorse a reform package negotiated with the International Monetary Fund by the Zia government.

The agreement would provide about \$1 billion in new funds for Pakistan, which is short of foreign currency and running a high domestic deficit.

WORLD BRIEFS

West German Greens Leaders Resign

KARLSRUHE, West Germany (AP) — The 11-member leadership of the leftist Greens Party has resigned after a no-confidence vote from members seeking a more moderate course.

The governing council for the environmentalist party had been dominated by a faction that sees little worth in trying to influence government actions by working within the West German legislature. Forty-four of the 519 Bundestag seats are held by members of the Greens party.

About 400 Greens delegates gathered here Saturday for a special party conference, during which the no-confidence vote was passed, 214 to 186. The council and its supporters also had been blamed by other factions within the party for "irregularities" in the financing of a new party building in Bonn.

Swiss Reject Limit on Foreigners

ZURICH (Reuters) — Swiss voters decisively rejected on Sunday a proposal by a far-right political party to reduce the number of foreigners allowed to settle in Switzerland.

In a national referendum, 67 percent voted against the proposal by the National Action Party, which could have cut the number of resident foreigners by 300,000 by the year 2003.

The plan was rejected in every one of the country's 23 cantons. It needed majority approval by both voters and cantons to succeed and had been strongly opposed by the government, all major political parties and humanitarian and business groups.

Azerbaijan Military Toughens Stand

LONDON (AP) — Military force will be used if necessary to maintain order in Baku, the capital of the southern republic of Azerbaijan, according to a Baku radio broadcast that was monitored here Sunday.

Martial law imposed on Baku last week prohibits meetings and protests, but they have continued. "Force will be used in case of any failure to abide by regulations established by law," said a voice the broadcast identified as that of the city's military commander.

Meanwhile, a newspaper in the Shemakinsky district of Azerbaijan said that soldiers with submachine guns were ensuring that Azerbaijanis fleeing Armenia did not meet Armenians heading the opposite way. According to official news reports, the longstanding ethnic upheaval in the neighboring republics has produced 150,000 refugees in the past few weeks.

Zaire Tells Citizens to Leave Belgium

BRUSSELS (Reuters) — Zaire has ordered its nationals to sell their assets in Belgium and has ordered home its 2,000 students there in a growing rift between the two countries.

The decision by the ruling MPR party was reported by the official Zairian news agency, AZAP, in a statement carried by the Belgian news agency Belga on Sunday. The Belgian foreign minister, Leo Tindemans, said in a radio interview that he could not react to a news agency report. But he said the AZAP statement was evidently connected with Belgian accusations about President Mobutu Sese Seko, Belgian newspapers have called Mr. Mobutu a dictator and accused him of mismanaging the economy of Zaire, a former Belgian colony.

Zaire has rejected a Belgian offer to reschedule its debts on easier terms. The offer was made last month by Prime Minister Wilfried Martens during a visit to Zaire.

For the Record

Twelve blacks were killed in attacks in Trust Seed township in South Africa and two members of the security forces were stabbed to death during the weekend, the police said.

Talks between Soviet officials and Afghan rebel leaders on a cease-fire and an interim Afghan government entered their second day Sunday in the Saudi town of Taif, a Saudi news agency said.

President Junius R. Jayawardene dissolved parliament Saturday, set Feb. 15 for Sri Lanka's first general elections in more than a decade and said he would retire, at 82, after 11 years as ruler of the Indian Ocean island, following a presidential election Dec. 19.

TRAVEL UPDATE

No Letup in Paris Transport Strike

PARIS (AFP) — The Paris public transport strike, which has affected millions of people, will go into its second week Monday with no prospect of settlement. Union-management talks failed Friday, and no further meetings were scheduled over the weekend.

The movement began in the maintenance shops of the RER, the Paris regional rail network, which normally carries more than a million people a day between the capital and its suburbs. At the end of the week, it spread to some Paris subway and bus drivers, and it has also affected some other cities, such as Marseille and Toulouse in southern France. The unions demand wage increases ranging from 300 to 1,000 francs (\$50 to \$170) a month. The government has proposed an increase of 250 francs.

At Air France, another transport conflict is also continuing. Mechanics struck on Oct. 18 to back wage demands. Several flights daily have been canceled since then. The airline has announced that 31 flights will be canceled in the period from Dec. 5 to Dec. 13, and unions have warned of flight disturbances during Christmas holidays.

Egyptian authorities reopened the airspace between Egypt and Libya to commercial aircraft Sunday for the first time since 1979, when relations worsened between the two countries after Egypt's peace accords with Israel. An announcement in Cairo said Libyan planes could land in Egypt or fly over the country.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

- MONDAY: Haiti, Spain, Thailand, Tonga.
- TUESDAY: Ecuador, Finland, Spain.
- WEDNESDAY: Ivory Coast.
- THURSDAY: Andorra, Argentina, Austria, Chile, Colombia, Costa Rica, Cuba, Liechtenstein, Mexico, Monaco, Nicaragua, Panama, Paraguay, Peru, Portugal, San Marino, Seychelles, Spain, Vatican City, Venezuela.
- FRIDAY: Tanzania.
- SATURDAY: Angola, Equatorial Guinea.
- SUNDAY: Israel.

Source: Morgan Guaranty Trust Co., Reuters

Toll Mounts In India and Bangladesh

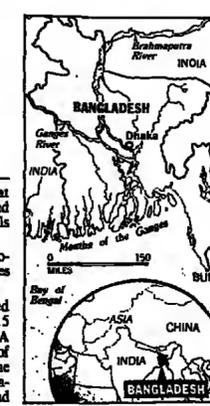
DHAKA, Bangladesh (AP) — The death toll from a cyclone that pounded southern Bangladesh and India could surpass 2,000, officials and news reports said Sunday.

Estimates of the number of people still missing in the two countries ranged from 3,000 to 5,000.

The relief organization Red Crescent said that at least 1,115 people had died in Bangladesh. A navy officer who toured some of the hardest hit coastal areas put the death toll at 1,300. Dhaka newspapers said it had reached 1,500 and was likely to go higher.

In India's West Bengal state, adjoining Bangladesh, the official death toll reached 500 on Sunday. Communication is poor in much of the region, and bureaucracy slows the reporting of verifiable deaths in some places.

The cyclone, which roared



ashore Tuesday from the Bay of Bengal, devastated 30 of the 64 administrative districts in Bangladesh and ruined up to 70 percent of the rice crop ready for harvest, according to a preliminary assessment.

EC Leadership Acts to Avoid Clash With U.S. Over Arafat

By James M. Markham

New York Times Service

RHODES, Greece — West European leaders have skirted a clash with the United States and patched over deep differences in the controversy created by the Reagan administration's refusal to grant the leader of the Palestine Liberation Organization a visa enabling him to address the United Nations.

At the conclusion Saturday of two days of meetings, the leaders of the 12-nation European Community also pledged that the single market they are striving to create by the end of 1992 would be "a partner and not a fortress Europe."

And they reassured the United States — which is worried about the emergence of a West European protectionist bloc — that they wanted to "maintain and deepen the solid and comprehensive trans-Atlantic relationship."

Although two statements issued Saturday were largely dedicated to the opportunities and challenges posed by the creation of a frontier-free market of 320 million consumers, the Middle East issue dominated much of the private discussion among the heads of government and their foreign ministers at a 14th-century Crusader castle on this eastern Mediterranean island.

Several expressed veiled criticism of the U.S. decision to deny the visa to Yasser Arafat, chairman of the PLO.

Asked at a news conference if he understood Washington's decision, President François Mitterrand responded: "I prefer not to understand it, for if I understood it, it would lead me to pessimistic conclusions about the future."

On one extreme, Greece, which holds the community's rotating presidency, increasingly looks as if it will recognize the PLO entry while Britain, at the other end, has been careful to avoid criticizing Washington's ban on Mr. Arafat.

To demonstrate their displeasure at the U.S. decision, Greece, Italy and France favored the sending of European Community foreign ministers in the special General Assembly session that will be held Dec. 15-15 in Geneva to give Mr. Arafat a hearing.

But this initiative was strongly opposed by Prime Minister Margaret Thatcher of Britain, who was backed by the leaders of West Germany, the Netherlands and Denmark.

A compromise brokered Saturday was a decision to send the European Community's 12 UN representatives to the Geneva session, with Foreign Minister Karolos Papoulias of Greece delivering an address on behalf of the organization.

"If Arafat is in Geneva, I think it will be possible to continue the dialogue," said Mr. Papoulias, who is known in have argued also for extending an invitation to Mr. Arafat to address the next European summit meeting in Madrid next spring.

The Rhodes gathering was largely dedicated to stock-taking at the halfway point to creation of a single market — an effort that was launched in 1985.

The nominal summit theme was the community's ties to the rest of the world. By pledging that the single market would not develop into a "fortress Europe," the leaders sought to dampen U.S. fears that

the community was giving added impetus to protectionism.

The declaration came amid an acrimonious dispute with Washington over a ban on the import of hormone-treated American meat.

But the discussions again showed that considerable differences remain — notably between Britain and other members — over what shape the single market should take.

Mrs. Thatcher reiterated her opposition to a full abolition of frontier controls and to plans in harmonize value-added tax levels among the 12 members.

On Friday, she attacked Prime Minister Wilfried Martens for allowing Patrick Ryan, a lapsed Irish priest, to leave Belgium for Ireland.

The British government contended that Mr. Ryan, who was arrested with bomb-making plans and a false passport, is a terrorist.

According to her spokesman, Mrs. Thatcher told Mr. Martens that she was "mystified and deeply wounded" that Belgium had decided to extradite Mr. Ryan to Britain, particularly after her government had cooperated in extraditing British soccer hooligans wanted in Brussels.

Saturday, Mrs. Thatcher similarly dressed down Prime Minister Charles J. Haughey of Ireland for not arresting Mr. Ryan, who is now in a rest home in Ireland.

Negotiators Go Home Without Angola Pact

By Christopher S. Wren

New York Times Service

BRAZZAVILLE, Congo — Negotiators for Angola, Cuba, South Africa and the United States have unexpectedly failed to approve an agreement leading to a comprehensive peace settlement in southwestern Africa.

After meeting through the day Saturday, the South African delegation announced that it was going home without signing a protocol detailing everything that had been achieved in eight months of painstaking negotiations. It said the other delegations would do the same.

As recently as Saturday afternoon, diplomats familiar with the talks expected the agreement to be signed, if not Saturday night, then on Sunday.

It was not immediately clear how serious a setback the failure to sign the protocol was to the prospects for a settlement. Officials said there would be more talks in the future.

The deadlock evidently centered on verification of the Cuban military withdrawal from Angola. Its terms were being worked out between Cuba and Angola, but they had to be acceptable in South Africa for the total package to be approved. The talks linked independence for South-West Africa, or Namibia, which South Africa administers, to the Cuban pullout.

A spokesman for the South African delegation, Roland Darrell, insisted that the negotiations had not collapsed. He said the delegations had raised "new aspects" of verification and other minor pending issues.

Japan Takes Small Step Toward Peace and Quiet

By Susan Chira

New York Times Service

TOKYO — In Japan, when people have something to say, they turn to the loudspeaker.

Loudspeakers crackle at 6 A.M. in country towns, reminding people to get up. Train conductors preside over the morning rush with a stream of amplified announcements: "The train is coming. Please wait in three neat lines and get into the car in an orderly manner without pushing the people ahead of you." "You must be tired; please do not forget your belongings when you leave the train."

All day long, vendors broadcast their wares: "Toilet for hanging laundry!" "Toilet paper in exchange for old newspapers!" "Hot baked sweet potatoes!"

At election time, candidates

scream their names over and over in a shrill plea for votes.

But in a nation that usually appears dulled to such cacophony, Japan took one small step last week toward peace and quiet.

The lower house of the Diet, Japan's parliament, passed a bill restricting loudspeakers and sound trucks from blaring near foreign embassies, government buildings, the Diet itself, and upon special request of the parliamentary speakers, offices of political parties.

Violators may be fined \$1,600 and would be subject to up to six months in jail.

The bill, which is expected to pass the upper house soon, is aimed — although the legislators do not say so outright — at what may be the worst scourge of all.

For years, huge sound trucks manned by rightist extremists and draped with Rising Sun flags have

swept through city streets, blaring martial music.

They park near favorite targets, such as the Soviet and other Eastern bloc embassies, and scream denunciations of communism for hours.

"Frankly speaking, it is not very easy to work in such circumstances," said Andrei V. Krivtsov, second secretary of the Soviet Embassy. "Some times we can't even speak within our building because of the shouting from outside."

The bill is moving through the Diet just two weeks before the Soviet foreign minister, Eduard A. Shevardnadze, is due to arrive in Tokyo for talks.

His visit comes as several Japanese and Soviet companies have announced joint ventures, and as the Soviet Union has floated some unofficial proposals to resolve the outstanding issue between them — Japan's claim to four Soviet-held islands in the Kuril chain.

Many Japanese suspect that Mr.

Shevardnadze's visit may have prompted some action, because otherwise Japan is remarkably tolerant of the noise.

Masahiko Ishizuka, editor of the weekly Japan Economic Journal and a critic of noise pollution, offers just a partial list of the sounds that assault people every day:

Carnival music blaring from pinball parlors; police lectures on traffic safety and crime prevention, delivered from helicopters to pedestrians below; buzzers and bells that ring incessantly while a train is stopped at a station; public address announcements from local schools, clearly audible in nearby homes and shops; garbage collectors who announce their arrival with chiming rings out such times as "Comin' Through the Rye."

In a way, the stream of public cautions and exhortations reflects the resolute cheerfulness, moral uplift and emphasis on the public good that run through Japanese life.

Masateru Oshima, public relations officer for the Teito Rapid Transit Authority subway line, said that complaints from passengers had prompted the authority to cut back on some of the subway announcements, particularly such nagging statements as "Please put trash in trash cans" or "Please make sure not to forget anything."

But he said that many passengers have asked conductors to keep these announcements coming.

"Sometimes we get requests for announcements from passengers

about things they cannot say directly to other passengers," he said, "such as 'Please don't spread out newspapers in a crowded train' or 'Please sit closer together so more people can sit down.'"

Just as many Japanese have gotten used to announcements for their own good, they have generally resigned themselves to thundering political broadsides.

On any weekend in such busy Tokyo shopping districts as Shibuya, political enthusiasts of every ideological persuasion are at the microphones, screaming their slogans to an indifferent crowd.

The amplified chants, demonstrations — by labor unions, teachers, rightists and leftists — yell and fade, drowning out meetings at government ministries.

In fact, the Socialist and Communist parties, often the victims of rightist harassment, spoke out Friday in the Diet against the anti-broadcasting bill as a curb on free speech.

After objections by legislators, the lower house passed a resolution asking the government to apply the law "prudently" so as not to infringe on people's rights.

The move to control noise came at a time when there is less of around than usual. An Emperor Hirohito lies gravely ill, rightists have had to clothe between their devotion to him and their hatred of Communists. For now, at least, the emperor has won out.

Out of respect for his illness, the sound trucks have fallen silent.

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WORLD BRIEFS

German Greens Leaders

West Germany (AP) — The 11-member party has resigned after a no-confidence vote...

Swiss Limit on Foreigners

Swiss voters decisively rejected the political party to reduce the number of foreigners...

Military Toughens

Military force will be used if necessary to maintain the southern republic of Zaire...

Citizens to Leave

Zaire has ordered its national army to order some 2,000 citizens to leave...

Record

There were talks in attacks in Trust Seed are...

TRAVEL UPDATE

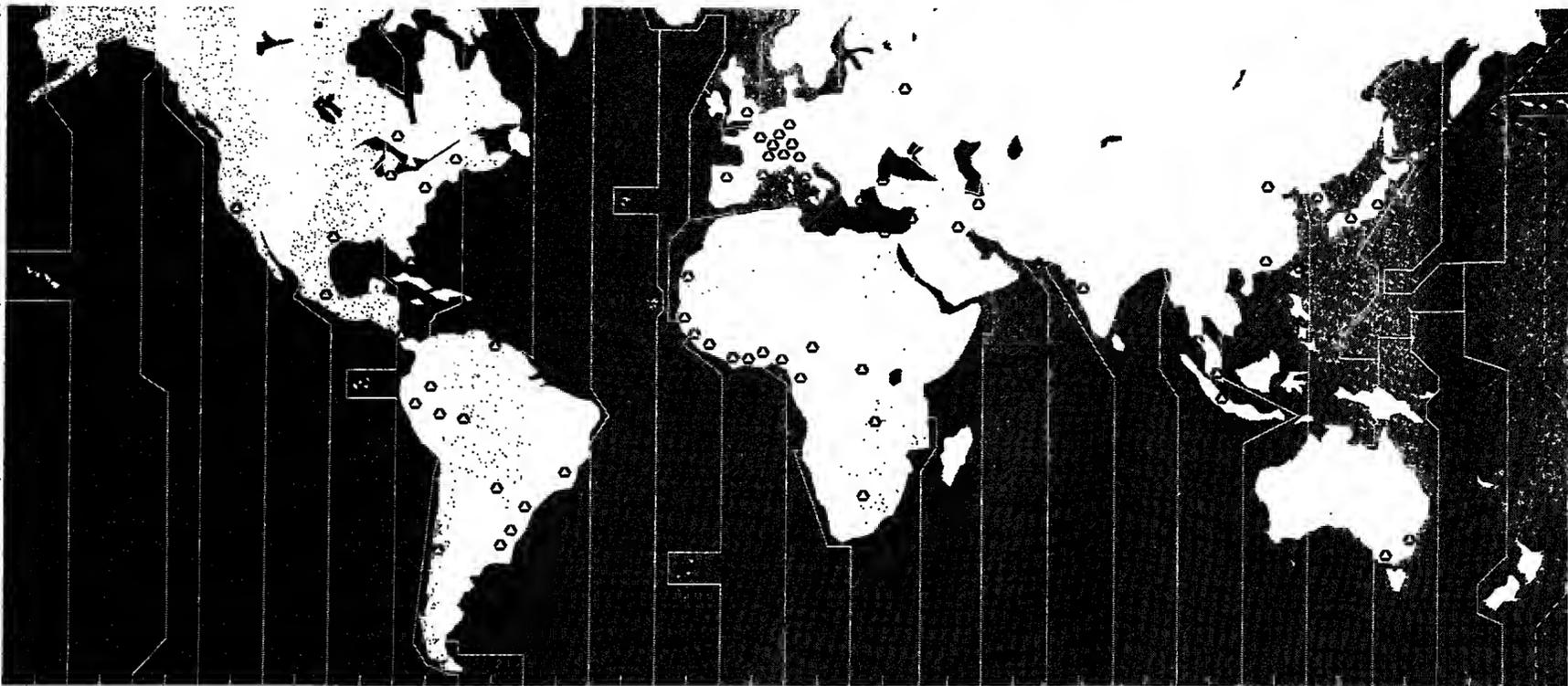
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Bush Plan Seeks Out Minorities

'Fresh Faces' for Posts to Be Filled

By Bernard Weinraub

WASHINGTON — President-elect George Bush, who has pledged to recruit women and members of minority groups for his administration, will soon announce a nationwide effort to enlist Republican governors and campaign officials to seek them out.

Officials on his transition team said that in the next two weeks Mr. Bush would announce plans to use his national political network and state Republican organizations to come up with "fresh faces" for the administration, "with a special emphasis on women, minorities and the disabled."

The officials said Saturday that the effort was designed to help Mr. Bush expand his base of political support. This has not yet reached its full potential, they said.

The drive also is designed to head off the impression that the new administration will be dominated by white males, as the Reagan administration has been, with only token representation of other groups.

The reaction of some feminists and civil rights advocates was a mixture of skepticism and hope that the policies of Mr. Bush in both recruiting and governing would be more acceptable to them than those of President Ronald Reagan.

The overall effort has been directed under the direction of Robert M. Teeter, Mr. Bush's campaign poll taker and adviser, who is co-director of the transition operation, and Chase Untermeyer, Mr. Bush's transition personnel chief.

"We are asking people," Mr. Untermeyer said, "to use their knowledge of their own community to come up with the names of outstanding women, blacks, Hispanics, Asian-Americans and other good prospects whom we wouldn't necessarily know about in Washington, D.C."

Only 12 percent of black voters chose Mr. Bush in the election, according to analyses of polling data. His aides said there was a reservoir of far more black support for Republicans at the local, state and national levels if the new president selected blacks for high-ranking jobs and supported policies that were important to blacks.

Among the blacks mentioned for prominent jobs in the Bush administration were Thaddeus Garrett Jr., a business consultant and former domestic policy adviser to Mr. Bush; Leroy Keith, president of Morehouse College in Atlanta, and



"COMING SOON..." — President-elect George Bush and Kim Basinger shared popcorn in Washington before attending a private viewing of the actress's new film, "My Stepmother Is an Alien."

Alan L. Keyes, a former State Department official.

Others are Arthur Fletcher, an assistant secretary of labor in the Nixon administration; Steven Rhodes, a former special assistant to President Reagan for intergovernmental affairs; and Constance B. Newman, a former official of the Department of Housing and Urban Development, who is now in charge of Mr. Bush's efforts to recruit blacks.

The precise number of women and minority group members in full-time, high-level positions in the Reagan administration is unclear. The U.S. Commission on Civil Rights said in 1983 that 4.1 percent of Mr. Reagan's full-time, high-level appointees had been black, down from 12 percent in the Carter administration.

Cabinet Rankings Defined

David Hoffman and Maralee Schwartz of The Washington Post reported: Mr. Bush has decided to deprive of cabinet rank two senior government posts that he once held, chief of central intelligence and chief delegate to the United Nations, transition officials said.

The decision reflected his preference that the two posts be less visible in internal policy-making debates, officials said.

Arabs Try to Keep Visa Affair From Damaging Peace Effort

By Alan Cowell

CAIRO — Despite their disappointment and anger over Washington's decision to deny Yasser Arafat permission to enter the United States to address the United Nations, policymakers from some Arab nations are seeking to contain the damage to try to prevent it from overshadowing the more fundamental issue of Middle East peace in the Bush era.

"We believe the position the United States took should not inhibit our contacts with the United States, especially the new administration," according to Osama Baz, a senior adviser to President Hosni Mubarak of Egypt.

The Bush administration will take office under the shadow of what many Arabs say is a final, vindictive act by its predecessor in denying Mr. Arafat a visa to address the United Nations.

The Reagan administration's decision "destroys Washington's credibility and, moreover, increases suspicion over its claimed effort to seek peace in the Middle East," said an editorial in the Al Akhbar newspaper in Egypt that reflected sentiments expressed by a range of Arab commentators.

At meetings here last week, President Saddam Hussein of Iraq and King Hussein of Jordan consulted with Mr. Mubarak in efforts to maintain what they see as an Arab momentum directed at persuading the United States to revive negotiations for peace in the Middle East.

A part of their effort, according to Arab diplomats and Western specialists, is to defuse "pressure from the political street," as an Egyptian analyst put it, for reprisals against the United States.

"This was a dangerous issue," a Western specialist said. "The Egyptians sized it up and decided that it should not take the direction of an Arab-American confrontation, which they would lose."

That has not halted angry public comment, reflecting a desire on the part of some Arab officials to blame Secretary of State George P. Shultz personally.

"Shultz wanted to give Israel a personal gift on the occasion of his retirement," said an Egyptian newspaper columnist, Mustafa Amin. "I think he was trying to poison the water for Bush."

The U.S. decision ran counter to what Arab commentators and analysts portray as a fundamental shift in regional politics that Washington refuses to acknowledge as a development that favors peace.

On Nov. 15, the Palestine Liberation Organization coupled the proclamation of an independent state in the Israeli-occupied West Bank and Gaza Strip with a political declaration widely interpreted as an implicit recognition of Israel.

That purported reversal of decades of PLO policy was sponsored by Arab nations pursuing conciliatory policies. It was led by Egypt, the only Arab nation formally at peace with Israel, and America's dominant Arab ally.

Mr. Arafat's address to the United Nations was viewed as an integral part of the Arab strategy to persuade the United States of peaceful intentions.

Instead, said Assad Abdul-Rahman, a member of the Palestine National Council based in Amman, the American move had "aroused public and private anger and discontent." The PLO considers the PNC to be its "parliament-in-exile."

"The wave of dismay and frustration will crystallize anti-American sentiments," he said.

That, in turn, has exposed the avowed moderation of the PLO and its Arab backers to challenge by radicals opposed to any conciliatory gesture toward Israel, Arab and Western diplomats said.

The desire to prevent an anti-American backlash reflects an acknowledgment among Arab states that they need the United States as a conduit to Israel.

"We have no illusions about the rapidity of things," said Bassam Abu Shanab, a senior Arafat aide. "It will be gradual, but it will come."

The United States refuses to deal with the PLO until it renounces violence and explicitly recognizes Israel.

Mahmoud Abbas, a member of the PLO executive committee, said after meeting Egyptian officials on Wednesday: "We must face the United States very calmly and without sensation. In spite of Shultz's decision, the world knows the Palestinian issue very well."

The calculation is based on a variety of factors seen, possibly too optimistically, as favoring the Arabs. Most significant — and central to the whole complex of Arab thinking — is the *intifada*, Arabic for uprising, which has been going on in the occupied West Bank and Gaza Strip for almost a year.

"The Bush administration cannot ignore two things," said Tahseen Bahsir, a prominent Egyptian analyst and former diplomat, "the *intifada* and the PLO's acceptance of 242." The Security Council's Resolution 242 of 1967 tacitly recognizes Israel's right to secure borders.

At its Algiers meeting, the PLO accepted the resolution and a subsequent United Nations call as the basis for an international Middle East peace conference.

In the Arab view, the PLO has largely done what Washington asked of it, and now it is up to Washington to respond. Washington, by contrast, rejects the proclaimed Palestinian state and says the rest of the PLO's declaration is insufficient to meet its criteria.

"Bush has three choices," said an Egyptian official who asked not to be identified. "He can try to revive the terms of the Shultz initiative, he can do nothing, which would be dangerous, or he can come up with new ideas of his own and start a new initiative. We would like some new ideas."

U.S.-PLO Cooperation: The Secret Agreements

By David Ignatius

WASHINGTON — During Yasser Arafat's visit to the United Nations 14 years ago, a secret meeting took place in a room at the Waldorf-Astoria Hotel. Among those present were a CIA officer and a top Arafat aide named Ali Hassan Salameh. The subject: an agreement to curb Palestinian international terrorism.

One man who was present during the meeting that day in November 1974 describes the understanding that was reached: "The PLO would seek to halt international terrorist operations outside Israel, with the understanding that Arafat couldn't be held responsible for the actions of every Palestinian. In exchange, the United States said it was prepared to recognize the legitimate rights of the Palestinians."

A blunter summary of the deal comes from a former CIA official: "The PLO was generally going to lay off Americans, especially official Americans. In return, we would be attentive to some of the security concerns that the PLO had."

According to both Arab and American sources, this agreement remained in force, more or less, for the rest of the 1970s and into the first two years of the Reagan administration. Over this period, U.S. and Arab sources agree, the two sides regularly exchanged security information.

The secret U.S.-PLO discussions of the 1970s provide some crucial background to the dispute over Secretary of State George P. Shultz's recent decision to deny Mr. Arafat a visa for another UN visit.

In explaining the decision, the State Department asserted: "The PLO through certain of its elements has employed terrorism against Americans. Mr. Arafat, as chairman of the PLO, knows of, condones and leads support to such acts; he therefore is an accessory to such terrorism."

Mr. Arafat says that far from targeting Americans, he has actively worked to protect them, and that he has renounced terrorism.

Who is right? The evidence is contradictory, and much of it remains secret. But the record suggests several points:

• Despite claims of moderation, the PLO, including some members close to Mr. Arafat, has continued to mount terrorist attacks against Israelis, including some attacks outside Israel.

• Mr. Arafat continues to shelter terrorists like Mohammed Abbas, who was responsible for the murder of a disabled American tourist, Leon Klinghoffer, aboard the Achille Lauro in 1985.

• But for most of the decade after the 1974 meeting, Mr. Arafat's wing of the PLO generally kept its word not to conduct terrorist operations against Americans.

• The June 1982 Israeli invasion of Lebanon initially broadened the U.S.-PLO dialogue, but ultimately shattered it.

During the siege of Beirut, Mr. Arafat prevented radical Palestinian and Lebanese factions from carrying out a plan to seize Amman and hold the city hostage in retaliation for the heavy Israeli bombardment. The United States, in turn, helped negotiate the security arrangements for Mr. Arafat's evacuation from Beirut.

Mr. Arafat's departure from Beirut effectively ended the dialogue about security. The PLO had less to trade, since it no longer had a central base for gathering and exchanging intelligence. The United States, in turn, had less need for PLO help. The chief terrorist threat of the 1980s was Iranian, not Palestinian.

U.S. Bars Some Soviet Jews as Refugees

By Robert Pear

WASHINGTON — The United States has begun rejecting applications from some Soviet Jews and other Soviet citizens who want to come to this country as refugees.

The Union of Councils for Soviet Jews, a private group, said that hundreds of Soviet Jews had been denied refugee status in the last few months. Most of them are in Italy, outside Rome, the main transit point for Jews coming to the United States from the Soviet Union.

Until now, the United States gave virtually automatic approval to refugee applications from Soviet Jews and Soviet Armenians. The Hebrew Immigrant Aid Society, which arranges for the migration of Soviet Jews to the United States, said that the recent denials were "outrageous and likely to have tragic consequences."

Yet, most Soviet applicants are still getting refugee status. Ralph B. Thomas, a deputy assistant commissioner of the Immigration and Naturalization Service, said that

the new items must be prepaid in the United States.

Although both sides said many details were still to be worked out, the changes were hailed by human rights advocates and Soviet Jewish organizations.

Gifts from U.S. citizens have never been entirely forbidden, but the restrictions about what could be sent and who would pay the import duties have made it difficult, particularly in the last few years.

In 1984, the Soviet Union terminated contracts with the handful of companies that had been doing limited parcel shipments.

Since then, for every package sent, the recipient in the Soviet Union had to pay the often-steep import fees, which can amount to hundreds of dollars for each individual item. The lists of what could be sent mostly included clothing.

Soviets Ease Up on Imported Gifts

By Kirk Johnson

NEW YORK — The Soviet Union has agreed for the first time to allow private citizens in the United States to send copies of the Bible and Talmud, as well as personal computers and video-tape recorders, among other items, to friends and relatives in the Soviet Union, according to Soviet officials.

The agreements, signed shortly before a visit to New York by the Soviet leader, Mikhail S. Gorbachev, reflect the general loosening of restrictions that have limited contacts between the two countries.

Soviet officials said the expansion would also increase the flow of foreign currency payments into the Soviet Union, since import duties on all

AMERICAN TOPICS

Underused Schools Turn to Day Care

With the baby bust leaving the trillion-dollar U.S. investment in schools underused, U.S. communities are beginning to use spare classrooms for day care for pre-school children, and for after-school programs for grade-school pupils, according to U.S. News & World Report magazine. Parents worried about the high cost and uncertain quality of day care have welcomed the trend.

Jana Hill of Independence, Missouri, says she knows that her 5-year-old son, Matthew, is in a worthwhile program because it is run by the school board and I trust them.

Sharing space in school buildings saves on gas, electricity, rent and buses for transportation, all of which are costly for day-care centers. The resulting savings mean higher salaries for staff workers and lower charges for parents. A typical charge is \$45 a month for preschoolers, compared with twice that much or more for private centers.

For latchkey children whose parents are working, school districts work with the Girl Scouts, YMCA, karate schools and other groups to set up after-school activities. Mayor Tom Bradley of Los Angeles says the after-school program there "helps free our children from drugs, shield them from gangs and keep them from dropping out."

A New York City bus driver who suffered a miscarriage after her request to be placed on restricted duty was denied has been awarded \$450,000 in compensation after hearings before the New York State Division of Human Rights. In June 1981 Adrienne Nash, now 35, was told she was pregnant. A Transit Authority physician placed her on restricted duty, but a week later put her back on full duty. On July 16 she suffered a miscarriage. "A bus takes a lot of bumps," said her doctor, Maxwell Roland.

The 30 Soviet inspectors who monitor the Hercules missile factory at Magna, Utah, are so popular that their American neighbors are trying to get a ban dropped on visits to private homes. The inspectors have been welcomed to schools,

churches, concerts and sports events, but a Pentagon spokesman said home visits would make "guaranteeing their safety too difficult." Replied Ed Fritzsche, a University of Utah law professor, "How is it any less difficult to ensure security in a public building that has many offices and entrances than it is for a private home?"

A probation violator, Willie Parks, got a job as a typist in a Minneapolis probation office. He had barely begun typing when he was spotted by his probation officer, whose desk was 20 feet (about 6 meters) away. The officer, Jack Hughes, said Mr. Parks had failed to make restitution to a bank he had robbed and had failed to keep in touch. Mr. Hughes telephoned a deputy sheriff, who came and arrested Mr. Parks.

A higher proportion of babies these days are twins. The New York Times says, because of the growing number of women having children at a later age, the likelihood of giving birth to twins rises, as well as the increased use of fertility drugs and more fertilization of eggs outside the womb, both of which increase the chances of multiple births. In 1980, 19.3 of every 1,000 American babies were twins. In 1986 this had risen to 21.6 per thousand.

President-elect George Bush sent a silver pin shaped like a foot to Ann Richards, the Texas state treasurer whose keynote speech at the Democratic convention included the remark that Mr. Bush was born "with a silver foot in his mouth." After Mr. Bush won the presidential election, Mrs. Richards sent him a telegram wishing him "the very best" in his new administration. Mr. Bush wrote back, "You've probably received a hundred of these feet, but I want you to have this one from me — a peace offering."

When the rock singer John Denver said he would like to go into space with Soviet cosmonauts, officials in Moscow said it would cost him \$10 million. Now Lyle George, a salesman from Wayne, Nebraska, said he would solicit funds through a bank account he opened to help Mr. Denver raise \$2 million for a one-way ticket. "I decided I'd be willing to chip in," Mr. George said. "If I could be guaranteed that none of the money would be spent to bring him back."

Notes About People

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Short Takes

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Israel Yields Hijackers As Russia Vows Mercy

Compiled by Our Staff From Dispatches

JERUSALEM — Israel agreed to return a group of hijackers to the Soviet Union after Moscow promised in writing not to execute them, Foreign Minister Shimon Peres said Sunday.

The hijackers arrived back in the Soviet Union three days after exchanging a busload of hostage schoolchildren for a plane to Tel Aviv and the equivalent of about \$2 million. They surrendered in Israel without protest Friday.

Israel decided to send the group back after intensive contacts that Israeli officials and analysts hoped would help to restore official ties, severed by Moscow over the 1967 Middle East war.

"The Russians gave us a written commitment that these people would not be put to death," Mr. Peres told a radio interviewer.

The Foreign Ministry deputy director-general, Yeshayahu Amig, said that Israel, as a country that opposed the death penalty, demanded the promise from the head of the Soviet consular delegation in Israel at the airport in Tel Aviv.

Israeli newspapers expressed relief, astonishment and even exuberance after the affair ended without bloodshed.

Israeli troops and police, uncertain of the hijackers' intentions, had awaited the plane's arrival in force. No fewer than 80 ambulances were on hand.

The affair, at a time when Israel has been increasingly isolated worldwide because of a Palestinian uprising in the occupied territories, simulated an embassiance that was reflected in newspaper photographs of the Soviet air crew at the Tel Aviv beach.

The newspaper Haaretz, in a front-page analysis, wrote: "The hijacked Soviet plane fell like a gift from heaven on the dormant diplomatic channel between Moscow and Jerusalem."

Israeli officials welcomed a meeting of the Soviet foreign minister, Eduard A. Shevardnadze, with the Israeli consular delegation leader in Moscow on Saturday but warned against expecting too much progress too soon in relations.

It was the first political contact between Soviet authorities and the consular delegation since it arrived in Moscow last July, officially to look after "technical questions" associated with Israeli and Jewish interests.

Mr. Peres said, "The fact that the leader of our delegation in Moscow was invited and the discussion took place as it did and was publicized and positive things were said, nearly without precedent in our relations with the Soviet Union in recent years."

He added: "We have an interest in building on these relations."

The hijackers arrived at Moscow's Sheremetyevo 1 airport early Sunday, ending the journey that began when they commandeered a school bus in the southern Russian city of Ordzhonikidze on Dec. 1.

The Soviet authorities bargained with the hijackers to gain the release of the children and worked with Israel, with which it broke diplomatic relations 21 years ago.

The outcome of the operation will serve as a warning to those who may nurture this kind of criminal designs," Tass quoted a secret-police spokesman as saying.

Tass said the decision to negotiate to save the children was "the only right decision."

Restart of U.S. Plant to Make Gas For Nuclear Arms Faces Long Delay

By Keith Schneider

WASHINGTON — Production of a perishable and increasingly scarce gas vital for nuclear weapons could be delayed far longer than officials have predicted because of problems involved in reopening the South Carolina plant that makes it.

The Energy Department's blueprint for resuming production calls for a complete overhaul of all training, safety, management, operating and inspection procedures at the manufacturing complex, the Savannah River Plant near Aiken, South Carolina.

Engineers who worked on the plant said the number and the complexity of the tasks involved was

almost certain to delay the reopening beyond a startup next spring or summer that was projected earlier this week by Energy Secretary John S. Herrington.

Several engineers said delays in restarting the first of three reactors at Savannah River could reach to the end of 1989, raising concerns about the readiness of the American nuclear arsenal.

Savannah River is the United States' sole source of tritium, a radioactive form of hydrogen used in the manufacture of most American nuclear weapons. The gas decays rapidly and must be periodically replenished, and none has been produced since April.

Pentagon experts said in October that if Savannah River did not have all three of its reactors operating by

next summer, extraordinary steps might be needed to safeguard the arsenal, including deactivating warheads to recover tritium for use in weapons of highest priority.

The plan is likely to have important political significance, top officials of the department agreed. The Energy Department has proposed building two new tritium production reactors — one in Idaho, the other at Savannah River — at a cost the department puts at \$6.8 billion.

How the agency performs in the restarting at Savannah River will be closely watched by congressional leaders, who are apprehensive about the expense involved in building two new plants instead of just one.

Officials of the Department of Energy said Saturday that the restart plan should not be affected by the transfer of authority for weapons production from President Ronald Reagan to President-elect George Bush.

But the long delay in restarting the reactors, and possibly the cost, will be a test of how the Bush administration plans to address the environmental and safety concerns at the nation's nuclear weapons plants.

The plan was approved and made final on Nov. 25 by the Energy Department; E.I. du Pont de Nemours & Co., which built the plant almost four decades ago and has managed it ever since, and Westinghouse Electric Corp., which is to assume management there April 1.

The plan outlines more than 160 separate tasks for restarting the first of the reactors to be put back in operation, designated the K reactor, and it makes clear that the Energy Department faces the most daunting and complex repair program ever attempted at a weapons production plant.

The requirements of the plan, Energy Department safety experts said, are nearly identical to those that would be expected if Savannah River had just been built and was being evaluated for licensing by the Nuclear Regulatory Commission.

The commission regulates civilian nuclear reactors and has long imposed more-stringent safety requirements than those required of the nation's bomb production network, scattered at 17 sites in 12 states and now ridden with safety and environmental hazards.

In essence, the Energy Department has called for the plant's managers to throw out most of the procedures used to operate the Savannah River reactors since they were built and to start anew.

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MUTINY: Rebels Surrender

(Continued from page 1)

tion, a heavily equipped arsenal, on Saturday.

Mr. Alfonsín had wide public support to quell the rebellion, the third in the past 18 months, and had pledged to "suffocate" it.

Authorities used tear gas to disperse protesters who threw rocks and bottles at the rebel-held depot in Villa Martelli, a working-class neighborhood 15 kilometers from central Buenos Aires.

With some government officials calling the revolt a coup attempt, officials on Saturday called on the public to rally for democracy.

Tens of thousands of people gathered in plazas nationwide to support a democracy that has seen six military coups since the 1930s.

The insurrection began Thursday when 53 members of a coast guard unit robbed an arsenal and deserted their base.

On Friday, about 400 troops led by Colonel Seinfeld rebelled at Campo de Mayo.

Government troops traded fire with the rebels on Friday and five persons were reported wounded.

But government troops were silent on Saturday when most of the rebel troops at Campo de Mayo boarded army trucks and moved without to the nearby Villa Martelli, an arsenal equipped with tanks and explosives.

On Sunday, troops in the 6th Infantry Regiment at Mar del Plata, 90 kilometers west of the capital, joined the rebellion, but no further details were available.

The news agency Noticias Argentinas quoted unidentified army sources as saying 70 rebels murdered.

The insurrection was reported to have been triggered by the planned resumption of trials of military officers implicated in a wave of officially sanctioned terror during the years of a succession of military dictatorships.

A commission appointed by Mr. Alfonsín published a report in November 1984 that said nearly 9,000 people were arrested by security forces and "disappeared," a euphemism for presumed executions.

In December 1985, a civilian court convicted nine former military junta members, including former Presidents Jorge Videla and Roberto Viola, of human rights abuses.

The civilian court trials against other military officials are scheduled to resume soon.

Before the military announcement, Noticias Argentinas said a provincial lawmaker and a second civilian were wounded by stray bullets in a brief firefight between government troops and mutinous soldiers at the rebel-held base.

Before news agencies announced a negotiated end to the four-day uprising, hundreds of Argentine citizens ignored danger and journeyed to the rebel depot to shout insults and throw rocks at the mutinous soldiers.

New York City Prepares To Face 'Gorby Gridlock'

(Continued from page 1)

NEW YORK — Mikhail S. Gorbachev will address the United Nations this week, have lunch with President Ronald Reagan and President-elect George Bush, tour a city swathed in Christmas glitter, and hopelessly snarl traffic and block shoppers.

The tight security that will surround the Soviet president, and the traffic jams that will swell as streets are blocked off for his 40-car motorcade, are already giving city officials nightmares of what they are calling "Gorby Gridlock."

"If he goes through Times Square, we expect he might get out of his car to shake hands," a police official said. "It's a movable riot."

Mr. Gorbachev will arrive Tuesday afternoon and be driven to the Soviet Mission to the United Nations, where he will stay.

On Wednesday morning, he will meet the UN secretary general, Javier Pérez de Cuellar, and address the General Assembly. He is to go by special ferry from the Battery, at the southern tip of Manhattan, to Governors Island for lunch with the American leaders.

On Thursday, Mr. Gorbachev will tour the city. But a spokesman for the Soviet Mission, Yuri P. Chizhak, said the full schedule had not yet been set and it appeared that at least one of the more highly publicized aspects — a visit to Wall Street — would not happen.

Mr. Gorbachev is scheduled to leave for Cuba on Friday morning.

MEETING: TRADE: Montreal Talks Aim to Provide Impetus for a Complex Overhaul

(Continued from page 1)

comprehensive international discipline for trade in agriculture, which the industrialized countries alone currently subsidize to the tune of \$220 billion a year.

If the mid-term review in Montreal is to be considered a success, trade officials say, it must at the very minimum produce a new political commitment to complete the Uruguay Round by the target date of end-1990 and agreement on a "road map" and timetables for the negotiations over the next two years.

The meeting should preferably also endorse some interim agreements that would reinforce the rules of the free trading system.

The idea is to strengthen the General Agreement on Tariffs and Trade, the Geneva-based custodian of the trading system, under whose aegis the round is being conducted.

At the back of many minds is the need to establish clearly agreed new rules before facing the difficult questions posed by possible Chinese and Soviet membership of GATT in the years ahead, as well as by the new, expanding trade relationships between Eastern and Western Europe.

Agreement in Montreal simply to keep on talking and duck the most contentious issues, in this view, would be a failure.

Even worse would be a major unvoiced dispute among the principal industrial trading partners, the United States, the EC and Japan.

or between the industrialized and developing nations.

The risks of such disputes are considerable. The current positions of the United States and the EC on agriculture, widely billed as one of the make-or-break issues for Montreal, are described by officials here as still "irreconcilable."

Top U.S. and EC officials adamantly reaffirmed their positions over the weekend, with the United States insisting on a long-term commitment to abolish all "trade distorting" farm subsidies, and the EC equally firmly rejecting the demand that would rather fail to agree than compromise their principles.

Willy de Clercq, the EC Commission's member for foreign trade, warned that failure to agree on agriculture could block progress in all the other areas.

Both he and senior U.S. officials, however, said that while progress in Montreal was desirable, the goal of a final agreement was not until the end of the round, in 1990.

Another clash is looming on the protection of intellectual property, such as patents, copyright and technological innovations, a particularly high priority for the United States. Officials say a storm is brewing between rich and poor countries reminiscent of the acrimonious North-South disputes of the 1970s.

Many developing countries fear that on this and other issues, the rich nations will simply strike their own deals, in a North-North negotiation that will ignore the poorer countries' legitimate interests.

In preparatory negotiations over the last few weeks in Geneva, a number of officials said, many positions hardened as Montreal approached, to the extent that there is some gloom over the prospects for real breakthroughs this week.

But while the United States and the European Community differ fundamentally on the degree to which agriculture should continue to be subsidized, they have important common interests in many of the round's other major areas.

As their share of world manufacturing declines, both want to open up trade in services and intellectual property and set rules of the game that would allow their companies to operate freely on a worldwide basis.

For Japan, it is especially important to keep markets open and safeguarded by rules that will prevent the United States and the EC from placing what it sees as undue restrictions on its exports.

Tokyo is also concerned that it should continue to be able to invest as freely as possible abroad, particularly in the U.S. and EC markets.

Developing countries, however, do not want to abandon their national controls over investments by multinational companies, in favor of rules set by the richer nations.

CHINA: Limit Seen on Soviet Link

(Continued from page 1)

countries that are ideologically distant — Chile, Israel and South Korea, for instance — and that have raw materials, military technology or marketing skills that it needs.

The Soviet Union is seen as less useful economically than Western countries.

Chinese press coverage of the foreign ministers' meeting in Moscow has been restrained. People's Daily, for instance, carried a short news article Saturday about the meeting, and the press has scarcely commented on what the new relationship means.

Chinese officials are also reticent about discussing the possibilities, and several declined to be interviewed on the subject.

Trade with Moscow has risen rapidly, so that the Soviet Union is now China's fifth-largest trading partner, accounting for about 3 percent of China's trade. But that share is dwarfed by the more than two-thirds of Chinese trade accounted for together by Hong Kong, the United States and Japan.

Security considerations impel China toward improving relations but will also limit the relationship.

Chen Hansheng, foreign editor of the World Economic Herald, an influential Shanghai newspaper, said in a telephone interview, "We can increase trade, and we can exchange experiences about reform, but we don't seek to improve relations solely for material reasons."

China has long set three conditions for a summit meeting: reduction of Soviet troops along the border, Soviet withdrawal from Afghanistan and the end of Soviet support for the Vietnamese occupation of Cambodia. China regards the conditions as largely met, but they still reflect the Chinese concern for the Soviet military threat.

Gorbachev Visit

(Continued from page 1)

between Mr. Baker and the Soviet foreign minister, Eduard A. Shevardnadze.

These preliminaries are likely to take up the first half of next year or even more time, U.S. officials said, and this is among the reasons impeding to Mr. Gorbachev for seeking a meeting now, even one limited in duration and scope.

The U.S. plan calls for Mr. Reagan, Mr. Bush and Mr. Gorbachev to confer in an intimate setting without advisers for about 20 minutes at the start of Wednesday's meeting and more briefly at the end. However, aides said that Mr. Bush had not ruled out a one-on-one meeting with Mr. Gorbachev if the Soviet leader requested one.

Another symbol of the continuity theme of the meeting will be the unexpected presence of Anatoli F. Dobrynin, a veteran Soviet diplomat, on Mr. Gorbachev's side of the luncheon table. State Department sources said the Soviets had indicated that Mr. Dobrynin, along with Mr. Shevardnadze and Alexander Yakovlev of the Politburo, would be among the seven Soviet officials at Governors Island.

Mr. Dobrynin, who dealt extensively with every U.S. president from John F. Kennedy to Mr. Reagan during 24 years as the Soviet ambassador in Washington, was "retired on pension" in a Kremlin shake-up Sept. 30. Nearly a month later, on Oct. 28, he was named as a special foreign policy adviser to Mr. Gorbachev.

Unlike earlier Reagan-era summit talks, this meeting will last only about two hours, and U.S. aides expect no agreements, probably no joint statements and less news media attention than at the summit meetings in Geneva, Reykjavik, Iceland; Washington, and Moscow.

"This will be our last such meeting," Mr. Reagan said in his radio address, "and I must admit that I had hoped to have predicted after first taking office that someday I would be waxing nostalgic about my meetings with Soviet leaders. But here we are, for the fifth time, Mr. Gorbachev and I, together in the hope of further peace."

Notes About People

President-elect George Bush sent a silver pin shaped like the state of Texas to Ann Richards, the state treasurer whose resignation he accepted at the Democratic convention. Mr. Bush was born in Texas.

When the rock singer Alvin Karpis was in his 40s, he was a member of the Communist Party. He was later convicted of racketeering and sentenced to 30 years in prison.

Arthur High

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SHUTTLE: ARMS: NATO Plan on Reductions Radar-Vision Spy

(Continued from page 1)

ly limit the number of weapons that a nation would be allowed to keep on foreign soil.

Assuming there were 40,000 tanks in Europe, one stringent version under consideration would in effect limit the number a nation could have in active units on foreign soil to about 4,000.

The London-based International Institute of Strategic Studies estimates that there are 10,000 Soviet tanks based in Eastern Europe.

Still unsettled are a series of "confidence-building measures," such as allowing one side to inspect some of the other side's stored equipment, which would be designed to provide early warning of mobilization for a possible attack.

A congressional study released Sunday said the Soviet Union was highly unlikely to launch a sudden military attack on NATO forces in Europe. The Associated Press reported from Washington.

The Soviets did not have enough well-trained forces to mount such a strike and would likely be detected by Western intelligence officials if they tried to prepare, according to a review by the House Armed Services Committee's defense policy panel.

They note that the West is not proposing to limit tactical aircraft, even though Moscow has said reductions in Soviet tanks should be made only in return for Western concessions on reducing aircraft.

American officials said the aims of the latest proposal were both military and political.

The Western proposal would force major reductions in the Warsaw Pact's main areas of military advantage, cutting deeply into forces that NATO officials say are well suited for offensive operations and moving many weapons far from the front lines.

In political terms, an administration official said, the proposal would drive a substantial number of Soviet "forces of occupation" out of Eastern Europe.

While some important aspects of the new Western position have not been finished, American officials said a consensus had now emerged behind some key elements.

Under the proposal, equal limits would be established for NATO and the Warsaw Pact on tanks, artillery and, probably, armored troop carriers that are outfitted with guns.

The limits would be set at levels slightly below the number of weapons that the West now has in Europe.

A "stationing rule" would sharply

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GULF: New U.S. Strategy

(Continued from page 1)

General Crist said, "I can't defeat them but a standoff in that regard is O.K." The new strategy would apply to either Soviet or Iranian forces, he said, with modifications depending on who attacked.

The general asserted that the new plan would expose Soviet lines of transport to attack by American aircraft. Some officials said it would take seven Soviet divisions to keep one in combat.

But staff officers said that the United States would have to secure its own much longer lines of supply first, requiring an early decision by the president to move forces and supplies. If the Soviet Union got there first, it would be next to impossible to dislodge its forces, they said.

Over the last four years, officers at McDill said, the Central Command has improved its operations in communication, intelligence, transportation, airlifts, sea lifts and construction.

On the other hand, the command would have trouble sustaining a large operation because problems in supplying ammunition, fuel and combat medical care. Nor does it have a headquarters in the Gulf area, even though its presence is more accepted.

Social Aid Chief Rebuffs Her Staff

(Continued from page 1)

WASHINGTON — The Social Security Administration has rejected a staff proposal that would have sharply restricted the rights of elderly and disabled people to appeal government decisions to deny benefits under Social Security, Medicare and welfare.

The limits would be set at levels slightly below the number of weapons that the West now has in Europe.

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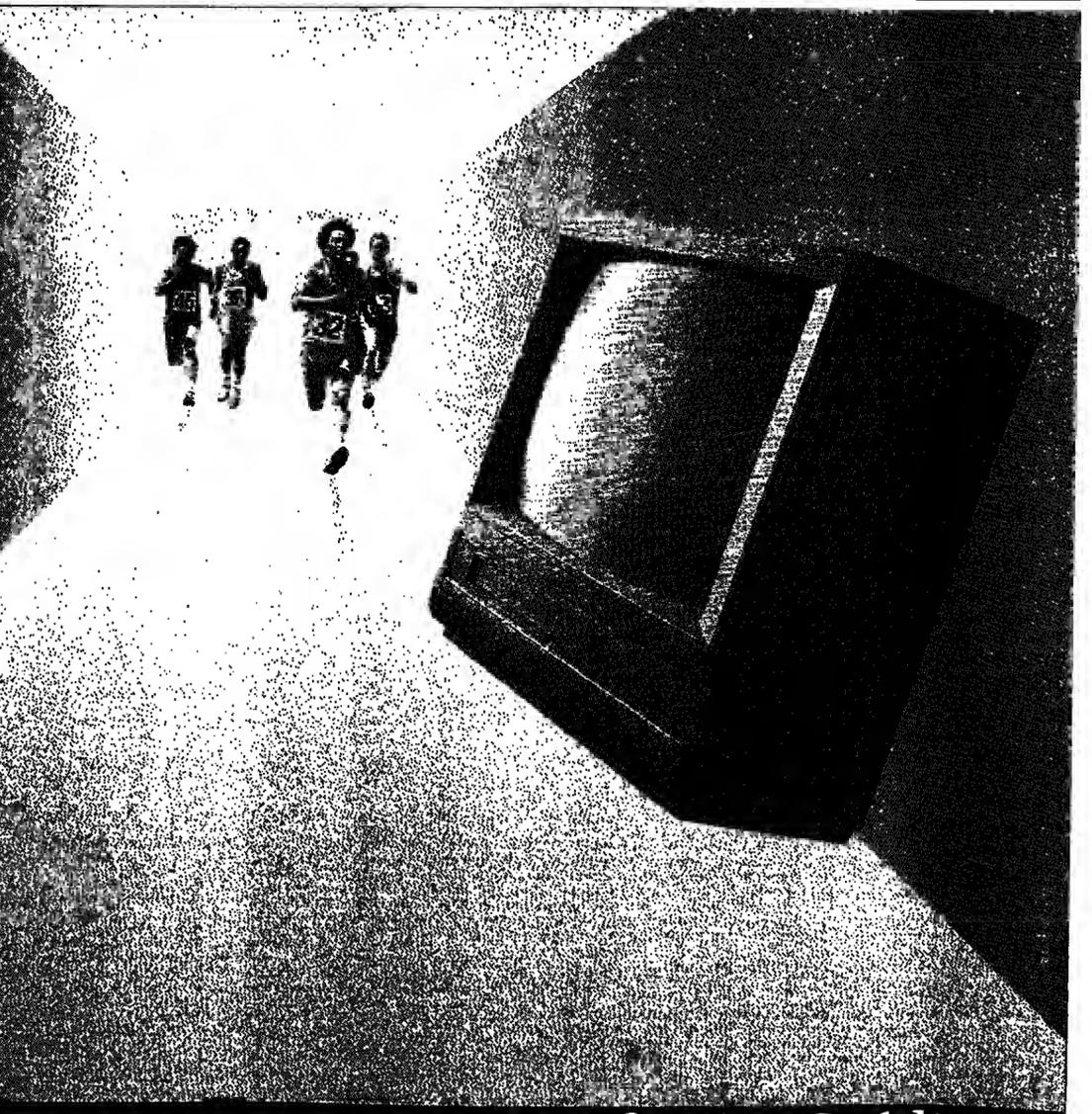
Earthquake in California

(Continued from page 1)

LOS ANGELES — An earthquake has hit southern California, causing minor injuries but no significant damage. A spokesman for the California Institute of Technology said the quake, striking at 3:39 A.M. Saturday and centering in Pasadena, was felt through most of greater Los Angeles and parts of San Diego County.



SANDEMAN FOUNDERS RESERVE PORT NO LONGER RESERVED FOR THE ENGLISH.



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INTERNATIONAL Herald Tribune

Getting Acquainted

Mikhail Gorbachev could be forgiven for planning his forthcoming trip to New York as a holiday from the heavy lifting he is doing at home.

resistance to it brought on by bureaucrats' fears of having their cozy ways disturbed and by the Soviet people's firsthand knowledge that their standard of living is in decline.

Huffing and Puffing

Close to 100 nations assembled in Montreal this week to huff and puff at each other's trade restrictions. Their trade ministers will review the global bargaining on barriers that began two years ago in Uruguay and still has two years to run.

likely to be farm subsidies. The world's taxpayers provide \$200 billion in farm subsidies a year, thus artificially subsidizing exports.

Takeovers: Yes and No

Corporate takeover games increase business efficiency, according to the theory. The people who have just bought RJR Nabisco for \$25 billion have paid nearly twice as much as the market thought the company was worth a few weeks ago.

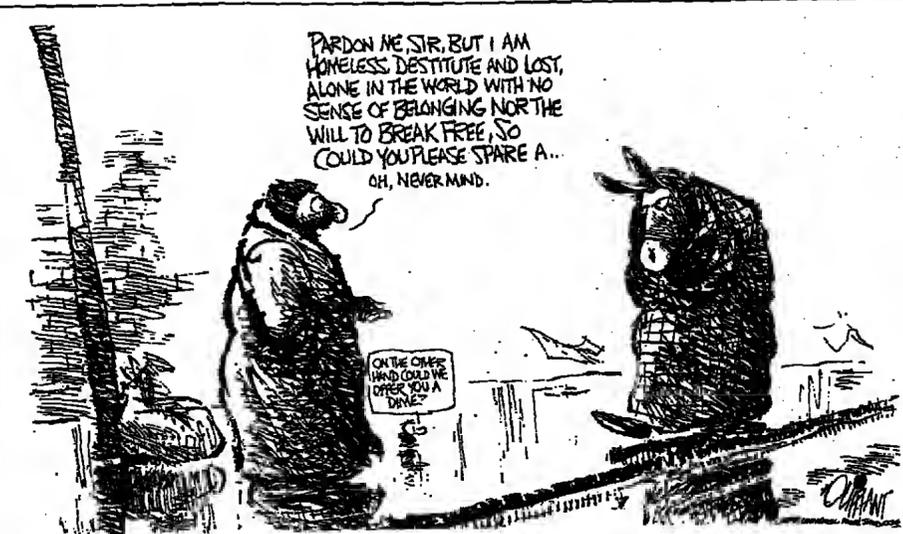
If the RJR Nabisco deal works out as the buyers hope, the company will quickly generate the funds to pay off their debts and leave them with enormous profits.

Other Comment

Nationalism in a New Guise

The conventional picture is of luxurious, highly cultivated Rome diluting itself, as the Empire spreads outward, into muddier barbarism. But the opposite has often been true.

amount to in the 1980s than some of the immemorial nation-states. Quebec sought "sovereignty-association," something less than total separation from Canada.



If These Four Have Committed Treason, So Have I

CAPE TOWN — On Nov. 18, Tom Manthata and three leaders of the United Democratic Front, a coalition of anti-apartheid organizations, were convicted in Pretoria of treason.

By Desmond M. Tutu
The writer, Nobel Peace Prize winner in 1984, is Anglican archbishop of Cape Town.

joined his colleagues on a spiritual retreat for the council staff. While on retreat, we heard that trouble had flared up. When we got on retreat, it is a strict rule that we withdraw temporarily from everyday activities to have time with God.

"preventive detention" for nearly a year, came out of prison to say to his friends in the council: "Let's not be consumed by bitterness." The case has brought South African law into question in the black community.

Nitze: Transition to a More Stable Nuclear World

BRUSSELS — I recall, in late September 1949, arriving in New York for the convening of the fourth United Nations General Assembly. The day we reached New York, President Truman announced to the American people that the Soviet Union now possessed the atomic bomb and would be able, five years hence, to drop one on the United States.

By Pierre Harmel
Mr. Harmel is a former prime minister and foreign minister of Belgium. He wrote this tribute to Paul Nitze, U.S. ambassador at large and special adviser to the president on arms control matters, to coincide with the scheduled presentation to Mr. Nitze today of NATO's Atlantic Award for 1988.

by ahead, at the series of summit meetings between President Ronald Reagan and General Secretary Mikhail Gorbachev, in addition to the INF Treaty, a process was set in motion with the aim of achieving a 50 percent reduction in strategic nuclear weapons and negotiating reductions in conventional and short-range nuclear weapons.

Gorbachev in America Needs to Hear It Straight

PARIS — Mikhail Gorbachev's decision to go to New York this week to talk with the outgoing and incoming U.S. presidents is a powerful signal of how much he wants to make sure of continuing improvement in Soviet-American relations.

By Flora Lewis
Vladimir Petrovsky said Mr. Gorbachev would take up a broad series of substantive issues. He cannot suppose that the U.S. government is prepared to give concrete answers at this time, but he wants to press his agenda.

He wants to know what to expect from the United States. Surprising as it seems, his advisers and experts apparently did not give him a real sense of Western concern with Reyjaviik-style sessions. "How could they," an important official comments now, "when he doesn't hear it from the leaders themselves? He judges from what he hears directly."

Bush Isn't Ready to Do Serious Business

Mikhail Gorbachev is in a hurry, but President-elect George Bush has to avoid rushing. The new administration has heavy work to do before it can begin to talk about major deals with the Soviet Union.

There is no more fussing about "careful preparations" for a summit, chiding about cosmetics, or other conditions. Things have come a long way since Moscow was sending out hints that the Reagan administration was too sticky to deal with short of firm, written agreements and that the United States was too "unpredictable."

1888: Advice for Pope
ROME — A secret communication is said to have been addressed by the French Government to the Vatican, advising the Pope to leave Italy in case of certain eventualities, and offering Leo XIII any assistance in the event of his deciding to go to France.

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صكناحتن الاصل

Japan: Wrestling With Its Role

1992: New Markets Or 'Fortress Europe'?

By David Powers

TOKYO — Katsuhiko Fujitani admits that he is unusually positive about Japanese business prospects in Europe after 1992, the target set by Brussels for achieving integration of the European Community internal market.

"Some Japanese commentators call me stupidly optimistic," says Mr. Fujitani, director of International Economic Affairs at Keidanren, the influential federation of Japan's main business and economic organizations. "I'm convinced the plus side will be far bigger than the minus side. 'Fortress Europe' is nonsense. European countries are not so foolish as to build a fortress."

Judging by the comments of a senior member of the Scottish Council visiting Tokyo recently, that is not a view necessarily shared in Europe. "Fortress — maybe not; but more protectionist — almost certainly," he said.

The Thatcher speech was quoted three weeks later on consecutive days by Michiko Kunihiro, Japan's deputy foreign minister, and Andreas van Agt, the European Commission's representative in Japan. Both concentrated on aspects that best fitted their hopes: Mr. Kunihiro on Mrs. Thatcher's vigorous defense of free trade, Mr. van Agt on the federal moves she so vehemently opposes.

MR. KUNIHIRO addressed Japan's main fears at the approach of 1992: a perceived trend toward splitting the world into a number of regional trading blocs with Japan on the outside, and the concept of strictly enforced item-by-item rather than across the board reciprocity. It is not only Europe 1992 that Japan is worried about. The U.S.-Canadian free trade pact is seen as part of the same trend.

Both Japan and the EC share the view that the United States is becoming more protectionist in its attitude, lacking issues unilaterally or bilaterally, rather than taking the global view that they think is more befitting of the world's largest economy.

These are pressures that Mr. Kunihiro says must be tackled tactically but firmly, otherwise international trade could be placed in real danger. He warned that 1992 might provoke responses from the United States.

Continued on page 11



Consensus Elusive In Debate on Future

Perspectives differ widely on the need to internationalize.

By Patrick L. Smith

TOKYO — It is a process, it is a policy, or it is little more than driving a newly purchased BMW to an overpriced *nouvelle cuisine* dinner. It is a national challenge, some say, an inevitability.

Ask six Japanese what is meant by "internationalization" and you are likely to get six different perspectives and as many degrees of enthusiasm. The word has near-universal currency these days, but on 00 other issue confronting this nation's 122 million citizens does there seem to be less consensus.

Nonetheless, no other issue touches as many aspects of Japan's complex and fast-evolving way of life.

What is internationalization? Broadly defined, it is not less than the reinvention of the national ethos through the modernization of its laws, social codes, global relationships and internal values.

There are any number of ways by which progress can be measured since former Prime Minister Yasuhiro Nakasone placed this concept squarely before the nation in the early 1980s. Trade issues have been solved, greater responsibilities in the fields of diplomacy and foreign aid have been accepted and new initiatives advanced in the areas of global debt and economic management.

But even those officials who most readily enumerate these successes acknowledge that it is too soon to answer the more difficult questions affirmatively: Is internationalization genuinely taking hold in Japan, can it finally work here, and what is needed to advance it further?

Conspicuous manifestations of xenophobia, chief among them far-from-idiosyncratic instances of racism, continue to emerge periodically. Will Japan outgrow the sense of inferiority it still feels when facing West and the corresponding sense of superiority it brings to

relationships with Asian neighbors? More than a few analysts see this as a permanent feature of Japan's global view.

"In structural terms, most of the necessary adjustments have been made," said Takajiro Hamada, a younger-generation legislator who heads a policy-research group within the ruling Liberal Democratic Party. "But ultimately it is a question of consciousness, of 'inner internationalization.' In this sense, Japan is still not the nation it should be."

In important respects, the incomplete progress described by Mr. Hamada is a natural one.

When Mr. Nakasone began to encourage Japan's effort to internationalize, it was to take account of the nation's new economic strength and the completion of the reconstruction effort to which it had singularly dedicated itself for the first three postwar decades.

In its initial phase, at least, this was indeed a matter of policy adjustment and political initiative. The issues debated among finance ministers and other senior bureaucrats were the yen's value, the Japanese aid budget and defense burden-sharing, not the consumption habits or political awareness of ordinary Japanese.

There is still no national consensus as to Japan's proper defense posture, its place as a global aid donor or the role of the yen as an international currency. But progress on these and other issues is evident, partly in response to new policy initiatives and partly because of expected responses to changed economic conditions.

Reflecting the higher value of the yen, for instance, almost 4 percent of Japanese manufacturing capacity is now located abroad, an increase of roughly a third over the past three years. As an international corporate citizen, Japan still compares unfavorably with the United States or West Germany, which produce about 18 percent of manufacturing output overseas.

But there are clear exceptions: 20 percent of Japan's consumer electronics output has left the country; in the auto and office equipment industries, the figure is roughly 12 percent. Equally important, Japanese industry is belatedly beginning to shed an addiction to market share more typical among Third World manufacturers in favor of a new effort to maximize value-added profit in lower-volume sectors.

There are still crucial tests in the economic

Continued on page 11

Manufactured Imports Become a Political Priority

By Paul Maidment

TOKYO — There are two big trade creditors in the developed world: Japan and West Germany. Few complain loudly about West Germany's surpluses, but Japan is reviled for being a relentless export machine.

A big difference between the two is that West Germany also imports a lot of other countries' manufactures. Japan, for a developed country, still does not. So West Germany's markets look open to foreign goods; Japan's have not. More manufactured imports

have become a political priority for the Japanese government.

As recently as 1985, manufactured goods still accounted for less than one-third of Japan's import bill. That share has now risen to nearly one-half, having taken a quantum leap in 1986 to 44 percent from 31 percent the previous year.

In the first half of this year, manufactured imports were worth \$44.1 billion out of a total import bill of \$91.8 billion. That represented a 49.5 percent increase on the same period a year earlier. 1987's increase for the full year was 25 percent on 1986's figure, although 1986's trade figures are distorted by large amounts of gold

imported for the minting of commemorative coins, which counted as manufactured goods.

But sharp though the rise in the ratio for manufactured goods has been in both devaluing dollars and volume terms, and despite the fact that it is now at its highest in modern times, it is still below the ratios for West Germany, Britain and the United States. For all three countries, manufactured imports account for around three-quarters of all imports, or more.

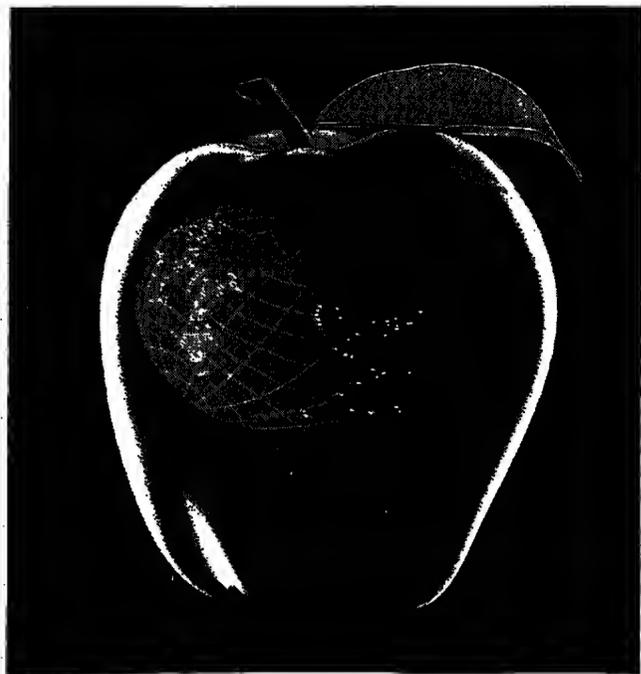
The true gap is probably wider. Japan uses a laxer definition of a manufactured import than the standard one used by the General Agreement on Tariffs and Trade; Japan counts many

semi-manufactures and some re-exports as manufactured goods.

Despite the quibbles over definitions, the underlying trend is clear, however. One reason for the increase in manufactured goods' share of Japan's import bill is that falling oil and other commodity prices and determined energy conservation have reduced raw materials' share. But market liberalization, government encouragement of foreign procurement, strong domestic consumption, the strength of the yen and structural economic change are beginning, at last, to have an effect, too.

Since 1981, there have been countless gov-

Continued on page 10



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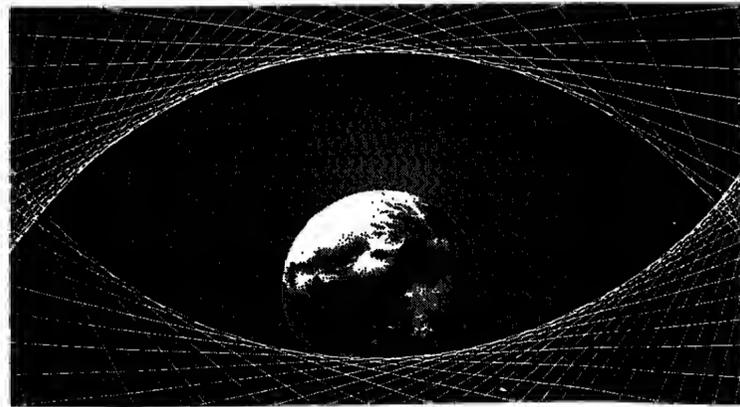
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Defense Technology ■ Revitalizing Aerospace

Attempts to Build Up Aircraft Industry Make Difficult Headway

By Andrew Horvat

TOKYO — Late last month All Nippon Airways, Japan's largest air carrier, made a decision unthinkable just a few years ago. Just as an international consortium with heavy Japanese participation is readying a new kind of jet engine, ANA opted for an engine made by a venture in which there are no Japanese partners.

ANA's choice was front-page news in a country where the revitalization of the aircraft industry, destroyed in World War II, is seen as a national mission by many bureaucrats. "An engine backed by the Japanese government will not fly in Japanese skies," ooted the Asahi, a respected national daily.

The engine ANA chose for its proposed 20-plane fleet of 150-passenger A320 Airbus is the French-American General Electric FMS615. The loser was the V2500, made by the Swiss-based International Aero Engine Company, a consortium which included Japan's Ishikawajima-Harima Industries, two other Japanese companies as well as Rolls-Royce, Pratt and Whitney and firms from West Germany and Italy.

ANA's decision to stick with GE, which

supplies jets for much of the ANA fleet, underscored the difficulties that Japanese bureaucrats have had in applying to aircraft the formula by which Japan became a world leader in such industries as steel, automobiles and semiconductors.

In all three examples, the Ministry of International Trade and Industry oversaw a process by which superior foreign technology was made available to Japanese manufacturers, imports were kept out, and nationalistic consumers were relied upon to "buy Japanese."

At present, Japan supplies 96 percent of its own steel, the same ratio of its cars and just slightly less of its semiconductors. Japanese exports in the above three fields have made huge inroads in world markets. Aircraft manufacturing, however, has resisted MITI's success formula. It and aerospace are the two fields in which economic realities have forced Japanese officials to practice what they preach — "internationalization," or *kokusaika*.

In spite of a 20-year effort to build a "pure Japanese" commercial jet, Japan relies entirely on imports. Moreover, the YS-11, the one attempt to build a Japanese commercial plane, proved to be a financial disaster. Production was halted after little more than 170 of the jet-propellers were built.

But MITI did not abandon its plans to create a strong domestic aircraft industry. Aerospace has recently been designated a key industry, just as semiconductors were nearly 20 years ago. In spite of the failure of the YS-11, a MITI branchchild, bureaucrats came up with the YX, a "pure Japanese" jet transport. But after years of internal discussions, the idea was

unhappy with the outcome of the YX. Originally, MITI officials had hoped for a much larger Japanese participation — as high as 50 percent — which would have allowed for a greater number of Japanese engineers to take part and hence more transfer of know-how from Boeing to Japan. The YXX plan, known abroad as the Boeing

to guarantee lower operating costs, per unit price is reported to be high and carries have so far shown little interest.

To many Japanese, the absence of a "pure Japanese" plane is a source of concern. Earlier this year, when a YS-11 slipped off the runway at a provincial airport and dipped its nose into the sea, Transport Minister Shintaro Ishihara made an emotional appeal for backing to replace the aging turbo-prop with another Japanese-built plane.

While MITI has plans for a quiet, 75-seater jet on the drawing boards, dubbed the YS-X, critics have warned that the project can expect to encounter even more turbulence than the YS-11.

Unlike in steel, cars or semiconductors, the domestic market is not large enough to justify the huge development costs of a new airplane. Japan by itself accounts for a mere 6 percent of the world market for aircraft.

The rosiest estimates predict that no more than 150 YS-Xs could be sold in Japan. If Japanese makers join forces with other Asian aircraft manufacturers — in China or Indonesia — the move will probably lead to resentment from Europe and the United States where manufacturers already have equivalent planes

The domestic market is not large enough to justify the huge development costs of a new airplane.

transformed into a three-way venture with Boeing and Aeritalia.

The result was the Boeing 767, of which about 17 percent of the airframe is made by three Japanese companies, Mitsubishi Heavy Industries, Kawasaki Heavy and Fuji, which makes Subaru cars.

MITI bureaucrats are reported to have been

737, has also come as a let-down for the Japanese. Although Japanese participation has been increased to 25 percent and about 250 Japanese engineers are expected to be involved, Boeing is reported to be having second thoughts about what the plane ought to look like.

Although the 737's engine is efficient enough

'Burden-Sharing' Reconsidered

By Daniel Sneider

TOKYO — The demand that Japan contribute more for Western security needs has become a persistent theme in U.S.-Japanese defense relations. Japanese officials are now bracing for the new American administration to again press, with congressional urging, for further "burden-sharing."

The arms negotiator, John G. Tower, a candidate to be the next U.S. defense secretary, said shortly after the election that he expected President-elect George Bush to call on America's allies, in particular Japan, to bear a greater share of the defense burden.

On this issue, a Japanese Foreign Ministry official said before the November election: "We have no illusion it will be easier under a Republican administration. That's something we have to address anyway."

But from both sides of the Pacific, people are questioning what "burden-sharing" really means. Is it simply a question of how big the defense budget is? Or is it more important what the money is spent on? Can Japan contribute more in other ways, such as developing technology?

Until now, burden-sharing has meant nothing more complicated than Japan spending more money on defense. But Japanese defense spending has been increasing at a steady rate. The total amount, now around \$30 billion, already is in the same range as major West European nations such as Britain and France. If Japan expands significantly more, some critics worry, it will threaten to become an offensive military power in the region.

Those who prefer a more limited Japanese military role urge that Japan's wealth be direct-

ed into foreign aid for developing countries that are of strategic importance to the West.

Increasingly, U.S. defense officials and analysts are pointing to a new arena where Japan can do its share for joint security — defense technology. With the U.S. defense budget receding, the idea that Japan can contribute by jointly developing new weapons systems or by providing technology to improve existing ones, has a growing attractiveness.

"It's too expensive for us both to go down the road and develop the same products," Robert McCormick, the deputy undersecretary of defense for industrial and international programs, said recently.

So far, the fruits of this effort at collaboration have been minimal. A 1983 agreement making the United States an exception to a long-standing ban on the export of defense technology has resulted in only two minor transfers of shipbuilding methods.

In an effort to push the program along, defense officials from both countries agreed this fall to begin joint basic research on some new weapons systems, including missile guidance systems.

The real test of technology cooperation, however, has just begun. During this past year, Japan has entered two crucial defense cooperation efforts with the United States — the Strategic Defense Initiative and the new fighter aircraft, the FSX.

In November, the Defense Department awarded \$3 million contracts to two combined U.S. and Japanese defense industry groups to study anti-missile defense systems for the Western Pacific region. The project is part of the SDI program.

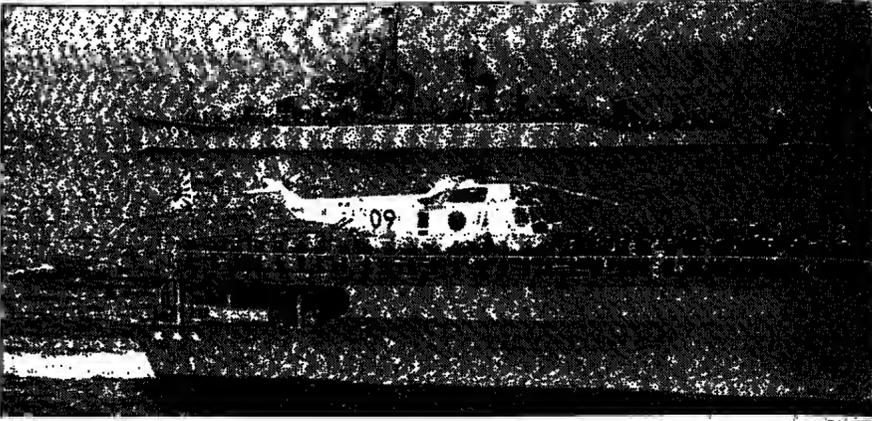
In June, the two governments agreed in principle to cooperate on the FSX, which will be based on the design of the General Dynamics F-16 fighter but which will incorporate Japanese-developed technological innovations. The formal agreement was signed on Nov. 29 and an agreement between the main companies involved, General Dynamics Corp. and Mitsubishi Heavy Industries Ltd., will follow.

The negotiations on the FSX project have been tough. The Americans sought a substantial share of the work on the plane and a guarantee that Japanese technologies would be available for use in the United States. The Japanese want as much work done at home as possible — they originally wanted to have a domestically designed and built aircraft — and to protect their technological innovations from commercial exploitation.

The agreement provides, in principle, for a U.S. work share of 35 percent to 45 percent and for transfer of all improvements and new technology. However, negotiations on the amount of work to be done by each side have not been completed.

U.S. defense officials see possible gains from Japanese materials technology and electronics. But U.S. aerospace and defense firms remain skeptical about how much Japan will really contribute.

"Fifteen or 20 years ago, U.S. industry was all excited about cooperation with the Europeans," commented Jay Browne, a defense executive who heads the U.S. Aviation Industry Association in Japan. "Some of that has happened but not to the extent envisioned at the time. There is some cautious long-term optimism [about Japan]. FSX is going to be the first true test of this cooperation era."



Japanese ships during a naval review.

Previously, Japan was not considered an important source of advances in military weaponry. Most major weapons, particularly aircraft, were either purchased from the United States or built under license here. Japanese firms are barred, by a deeply held policy, from arms exports. Still, the Japanese defense industry has grown in sophistication and is increasingly able to turn out home-grown products.

By the late 1970s, Pentagon officials began to look more closely at what Japan might have to offer. The increasing content of high technology, such as microelectronics in weapons,

meant that Japan's prowess in civilian technology could be, and increasingly was, applied to defense. "Dual-use technologies" were more and more on the Pentagon's shopping list.

The U.S. Department of Defense approached the Japanese government in 1981 about creating a new avenue for transfer of military technology from Japan. At the time, "everybody wondered why the U.S. wanted Japanese military technology... because we considered the U.S. level higher," recalled Hiroo Kinoshita, who headed the Japan Defense Agency's negotiations on this issue.

Under the 1983 defense technology pact, Japan also agreed to encourage private firms to transfer such defense-related technologies.

"Now the attitude of Japanese companies, as in the case of SDI or FSX, is not so reluctant," Mr. Kinoshita said. "Their intentions can be openly discussed in Japanese society without any negative effect."

DANIEL SNEIDER is the Tokyo correspondent of The Christian Science Monitor and of Defense News.

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Stricter L... Fail to Sto... Illegal En...

By Lisa Martineau TOKYO — Japan will not admit it, but it now needs the foreign workers which it is trying so hard to keep out, especially those who are already in the country. The government is now trying to find ways to keep them in the country. In a recent survey, 60 percent of the people asked said that they would like to have foreign workers in the country. The government is now trying to find ways to keep them in the country. In a recent survey, 60 percent of the people asked said that they would like to have foreign workers in the country.

U.S. Puts F... To Import TOKYO — First it was tobacco, then beef and oranges. Now Japanese farmers are bracing themselves for yet another onslaught on the market of the United States. The United States is hammering at the door, insisting that Japan should allow in at least some foreign goods. It is a battle that Professor Horiguchi, an economist at the Tokyo University of Agriculture, says could prove to be the Japanese farmers' last stand.

The feeling is that if rice goes, the government will have lost its will to ensure the survival of Japanese agriculture," he says. "Farmers may just give up and leave everything to imports." The reason Japan's farmers are so thoroughly uncompetitive in international terms is that most farms are too small to be viable on their own. Few have more than 10 acres. The average farm size since land redistribution immediately after World War II allowed farmers to retain no more land than they could tend themselves unaided. The average is about one hectare (2.47 acres).

Japanese farmers are also probably the most heavily subsidized in the world, although Mr. Horiguchi insists Japan's subsidies are non-aggressive, since they are designed to protect food supplies at home rather than to help farmers export. The success of the United States and the European Community of being particularly aggressive.

The EC's agriculture representatives in Tokyo, Albrecht Rothstein, says: "We're all sinners when it comes to subsidies, with the possible exception of Australia and New Zealand, but Japan is by far the most heavily protected." Mr. Rothstein cites the OECD formula, known as the producer subsidy equivalent or PSE, which takes into account both border protection and straight subsidies, and expresses them as a proportion of overall costs.

In 1985, the average PSE for all farm products was 66.7 percent in Japan, 29.7 percent in the EC and 26.1 percent in the United States. But the figures up to 75.3 for Japan, 49.3 for the EC and 35.4 for the U.S.

Takemichi Yamamoto of the Foreign Ministry's Economic Affairs Bureau says: "Market forces have to be let to play a larger role, and we also contend — and this is the Group of Seven and the OECD — that noneconomic factors are of importance in agriculture as an economic activity." The worry is that while common sense might say that whole communities might vanish if cheap imports make agriculture unprofitable, the question constantly asked, and increasingly in Japan itself, is why should Japanese consumers pay six times more for rice and eight times more for wheat and eight times more for soybeans?

Mr. Yamamoto says that Japan is prepared to reappraise its subsidies. "It's a hard issue for Japan, but we are ready to talk." The sort of talking he wants to see is the mid-term review of the General Agreement on Tariffs and Trade Uruguay Round in December is what the United

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Stricter Laws Fail to Stem Illegal Entries

By Lisa Martineau

TOKYO — Japan will not admit it, but it now needs the foreign workers which it is trying so desperately to keep out, especially the unskilled ones.

Employers are increasingly breaking the law and hiring illegal workers. In a recent survey of small and medium-sized industries in Tokyo, 60 percent of the companies asked said that they needed to hire foreign workers to fill the jobs that young Japanese no longer want.

But the more the problem of unskilled labor shortages grows, the tighter the government shuts the door to those willing to do it: Asia's poor and unemployed.

Japan has no official immigrants. Forebears of the 700,000 or so Korean and Chinese residents were brought to Japan under duress from former colonies during the Pacific War to man the mines and factories.

The fact that they are still classified as foreigners, right down to their fingerprint-bearing alien card, is indicative of the government's thinking on non-Japanese; that they are potential troublemakers.

The 100,000 other foreign residents are transient business people, diplomats, entertainers, journalists, students, dependents and others who can show just cause for being temporarily in Japan.

In a native labor force of 60 million, only 60,000 foreigners

hold work permits. Estimates for the number of illegal workers vary. The Justice Ministry reckons that there are 70,000, whereas the Labor Ministry puts the figure closer to 150,000. Most come from Pakistan, Bangladesh, China, Thailand and the Philippines.

The surprise is that the figures are not higher. A month of underpaid work in Japan can keep a poor Asian family alive for a year. A Filipina maid can earn in a week in Tokyo what it takes a doctor a month to earn in Manila.

In the first half of this year, 7,100 illegal workers were caught and sent home — up 24 percent over the same period in 1987. For the first time, male illegal workers outnumbered women by almost two to one.

Most of these new male illegals came from Bangladesh and Pakistan.

Over 90 percent of the 17,000-plus Bangladeshis and Pakistanis who came to Japan last year arrived as tourists. Although the authorities caught fewer than 1,350 working illegally, and a further 2,600 in the first nine months of this year, they think many more found jobs.

The government's action was swift. From next January, the reciprocal agreements with Bangladesh and Pakistan, which had exempted tourists from visa requirements, will be scrapped.

"It's better to make entry more difficult," a Justice Ministry spokesman said, "than to have to turn away people from the airport."



An unemployed man applying for a job in Tokyo.

Almost twice as many people, 2,650, were refused entry in the first half of this year than for all of 1987. In the summer, 15 people a day, mostly Asian, were being turned back at Tokyo's Narita

in many cases are a conduit for illegal labor from abroad; sponsors now need to have more money, and from next year schools will be required to teach 30 hours a week instead of 20.

The more unskilled labor is in demand, the tighter the government shuts the door.

Airport because immigration officers suspected that they were coming in to work.

The government has also tightened up rules governing applicants for language schools, which

For the others who come in as tourists, working in Japan is going to become more difficult too.

From the end of this year, Japanese employers caught hiring illegal workers will face heavy fines.

The Construction Ministry has told the governors of prefectures and the heads of 36 construction groups not to hire illegal workers. Next year, the ministry warns, those companies continuing to employ illegals will be barred from bidding and contracting for public-works projects.

Usually, a working visa lasts for a year. In 1987, 600 of the people who applied were turned down for an extension. This year, the figure is likely to be higher.

Much ado about nothing? The Japanese do not think so; they point to Britain's racial unrest and West Germany's problems with guest workers as reasons to keep immigrant labor out.

Another reason is the sense

many Japanese have of themselves and their society as "unique and different."

Japan's refusal to import labor upsets its poorer neighbors, which in turn encourages anti-Japanese sentiment in the very region where Japan says its future interests lie.

Some Japanese realize that sooner or later Japan will have to do something about foreign workers other than shut them out. At least it needs to be doing something. Half a dozen ministerial committees are looking into what, if anything, must be done, as are business groups.

The Labor Ministry and Nikkeiren, the employer's federation, are looking at proposing something on the lines of the Swiss system: a fixed quota of foreign workers, agreed with each country, on two-year nonrenewable contracts.

The Japanese employer would be granted the license, not the worker, and the worker would not be allowed to bring in his or her family, nor stay once the license had expired.

Human rights activists here say that that sounds like the way black workers are treated in South Africa.

And the Justice Ministry, which opposes all foreign workers on "security grounds" and considers them a threat to "Japan's homogeneity," has also become a champion of human rights, calling the proposal unconstitutional because it discriminates between native and foreign workers.

LISA MARTINEAU is Tokyo correspondent for The Guardian.

Tokyo Steps Up Pace As Foreign Aid Donor

By Roger Buckley

TOKYO — Japan is about to chalk up yet another gold medal to add to its growing international collection. Senior officials in Tokyo are confidently predicting that their nation will shortly overtake the United States as the world's No. 1 provider of foreign aid.

For Japan, the West and the developing world, this is welcome news and an example of the cooperative shifts taking place in Japan's external relations.

Recent information released here by Japan's Foreign Ministry on Official Development Assistance (ODA) boasts that there has been "spectacular growth" since last year. It admits, however, that part of this improvement is the consequence of the yen's appreciation against the dollar, and it acknowledges that "international expectations of Japan's assistance are growing" and that more still needs to be done to disarm the overseas critics. Many in the West persist in viewing Japanese foreign aid as little more than a euphemism for massive export promotion by Japan Inc.

Western pressure and increased receptivity in Tokyo to statements on the need for Japan to assume greater international responsibilities are achieving results. Government statistics suggest that Japan's ODA of \$7,454 billion in 1987 was a substantial improvement over the previous year in both dollar and yen terms.

By the end of fiscal 1989, Japan will have leapt from the United States to take its new crown as top of the aid league. This should demonstrate even to the cynics that Japan is capable of delivering on its promises. It can only assist Prime Minister Noburo Takeshita in his future dealings with other Western leaders and dispel the lingering image at home that Mr. Takeshita would prove a pushover when it came to summit diplomacy.

His record to date after 12 months in the post suggests that provided he sticks to his briefing papers, he can hold his own without undue difficulty.

Mr. Takeshita is starting to fulfill the pledge he made at this year's Toronto advanced nations summit to double Japan's aid total to more than \$50 billion between fiscal 1988 and fiscal 1992. Yet change of this magnitude will not be easy, and there remain several domestic hurdles that still have to be cleared.

Expectations of Japan in light of the presidential election victory of George Bush may further increase. Japanese press commentators have emphasized that foreign aid is now seen in Washington as an important component in the evolving U.S.-Japan relationship.

Mr. Takeshita has already stated that the way forward for the two Pacific allies is "by sharing responsibility in a global perspective." Informed sources in Tokyo assume that the Bush administration will urge Japan to boost strategic aid to pro-Western regimes in the Asian-Pacific region, citing assistance to the Aquino government in the Philippines as an important example.

It is likely that regional "burden sharing" will increasingly devolve to Japan and that more Asian states will look to Tokyo rather than Washington for foreign aid and financial packages. Japan is already the principal aid donor to 25 countries in Asia, the Middle East and Africa.

The next questions on the aid agenda are con-

cerned not only with quantitative but also with qualitative improvement of Japan's aid structure. Coherent policies and assurances that funds raised will be used effectively are required if the present public approval of aid is to be maintained in the future.

Misgivings over the misappropriation of funds allocated to the Philippines during the Marcos era have not been put to rest. Opinion surveys conducted in October last year by the Japanese prime minister's office suggested that earlier positive views of foreign aid may be leveling off.

The youth of Japan still react favorably to the concept of foreign aid but the government's present

In fiscal '89, Japan will surpass the U.S. as top provider.

priority on Asia is meeting with less approval as the Japanese "discover" Africa.

Among those who continue to regard Japanese aid in a favorable light, the major reasons cited are the contributions that Tokyo can make to global stability, the need for humanitarian assistance to the Third World and Japan's international duty as a surplus nation to consider other nations.

ly positive political and social consensus appears to exist within Japan on which an improved aid structure could be constructed.

The need to establish new aid goals was admitted by the Foreign Ministry in October when it recognized that parts of Japan's current aid programs had had gaps.

The Foreign Ministry, the leading bureaucratic aid actor in a bureaucratic state, suggested that higher priority should be accorded to the poorest African states and that greater attention ought to be placed on environmental issues as urged recently by former Foreign Minister Saburo Okita.

He wants financial projects in timber-producing countries such as Indonesia and Malaysia to be more rigorously scrutinized and would like to see an end to the wasteful Japanese practice of providing disposable chopsticks in each and every restaurant and snack bar throughout the nation.

Much still needs to be done to galvanize the forces of the Japanese state and private industry over foreign aid, but the contrast between the timidity of a decade ago and the current scale of expenditure deserves qualified approval.

Future improvements can only lead to a wider international role for Japan as part of its increasing self-confidence in foreign affairs. There can be no retreat now to the bunker mentality. ODA has already played its part in destroying the remnants of Japanese isolationism.

ROGER BUCKLEY is Associate Professor of Political Science at the International Christian University in Tokyo. He is author of "Occupation Diplomacy: Britain, the United States and Japan, 1945-1952" (Cambridge University Press, 1982), and "Japan Today" (Cambridge University Press, 1985).

U.S. Puts Pressure on Tokyo To Import Rice From Abroad

TOKYO — First it was tobacco, then beef and oranges. Now Japanese farmers are bracing themselves for yet another onslaught, this time on the holiest of holies — rice.

The United States is hammering at the door, insisting that Japan should allow in at least some foreign rice. It is a battle that Professor Kenji Horiguchi, an economist at the Tokyo University of Agriculture, says could prove to be the Japanese farmers' last stand.

"The feeling is that if rice goes, the government will have lost its will to ensure the survival of Japanese agriculture," he says. "Farmers may just give up and leave everything to imports."

The reason Japan's farmers are so thoroughly uncompetitive in international terms is that most farms are too small to be viable entities on their own. Few have grown in size since land redistribution immediately after World War II allowed farmers to retain no more land than they could tend themselves unaided. The average is about one hectare (2.47 acres).

Japanese farmers are also probably the most heavily subsidized in the world, although Mr. Horiguchi insists Japan's subsidies are non-aggressive, since they are designed to protect food supplies at home rather than to help farmers export. He accuses the United States and the European Community of being particularly aggressive.

The EC's agriculture representative in Tokyo, Albrecht Rothacher, says: "We're all sinners when it comes to subsidies, with the possible exception of Australia and New Zealand, but Japan is by far the most heavily protected." Mr. Rothacher cites the OECD formula, known as the producer subsidy equivalent, or PSE, which takes into account both border protection and straight subsidies, and expresses them as a proportion of overall costs.

IN 1985, the average PSE for all farm products was 66.7 percent in Japan, 39.7 percent in the EC and 26.1 percent in the United States. Bad weather the following year pushed the figures up to 75.2 for Japan, 49.3 for the EC and 35.4 for the U.S.

Tadamichi Yamamoto of the Foreign Ministry's Economic Affairs Bureau says: "Market forces should be let to play a larger role, but we also contend — and this is supported by all governments in the Group of Seven and the OECD — that noneconomic factors are of importance in agriculture. Agriculture does not only function as an economic activity."

The worry is that whole communities might vanish if cheap imports make agriculture unprofitable. But the question constantly being asked, and increasingly inside Japan itself, is why should Japanese consumers pay six times the world price for wheat, eight times for rice and nine times for sugar?

Mr. Yamamoto says that Japan is prepared to reappraise its subsidy system, but sees no reason to go it alone. "It's a hard issue for Japan, but we are ready to talk."

The sort of talking he wants to bear in return at the mid-term review of the General Agreement on Tariffs and Trade Uruguay Round in December is what the United

States plans to do about its waiver system, which exempts 13 agricultural items from normal GATT regulations. If Japan's restrictions on rice are to go, so should the waivers. Japan is also highly critical of the European Community's Common Agricultural Policy.

One of the greatest ironies about the debate over Japanese agriculture is that it is the least efficient who are likely to survive any major removal of restrictions on agricultural imports. Small farms and mechanization enable 85 percent of Japanese farmers to tend their fields as a part-time hobby at the weekends, gaining their main income from other sources.

AIKO Yamanaka runs a typical part-time farm in Saitama prefecture, an hour's commuting distance from Tokyo. She handles all the work herself on the family's 1.2 hectares growing rice and vegetables, with her husband taking a few days off work as a heating engineer at planting and harvest time. Although she complains about the 10 percent reduction in rice subsidies over the last two years, one thing Mrs. Yamanaka is determined not to do is give in to government urges to sell or rent her fields to full-time farmers.

Such reluctance prevents Japan achieving the economies of scale possible in Europe and North America. Even professionals like Ryoichi Iura, who now controls 22 hectares in Niigata prefecture, has to travel across seven different municipalities to reach all his fields. He enjoys the scenery, but it is hardly a recipe for efficiency.

Japan does not have the open expanses of land to set up cattle ranches, but it does have the money to buy them elsewhere. In July, less than three months after Japan agreed to start lifting quotas on foreign beef, Nippon Meat Packers paid an estimated \$9 million for 5,000 hectares of grazing land on the Darling Downs in Queensland, Australia. The cattle and farm hands will be local, but the animals will be reared to Japanese standards — and under Japanese management.

Officials in the Food Agency admit that Japanese farmers are unlikely ever to cut their costs by more than half. If subsidies and quotas are to go, their best policy for survival will lie in better marketing strategies.

Potato farmers in Hokkaido no longer sell their crops to food processors for little return; instead they make their own potato chips and turn in a big profit. Shigeki Nomoto earns \$80,000 a year from his tiny orange grove on the island of Shikoku by producing several different varieties of citrus on the same tree through skilled grafting techniques. They mature at different seasons, so he has a year-round crop.

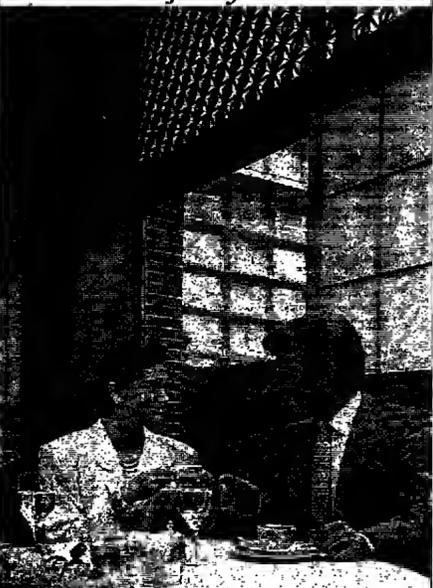
Wakako Hironaka, an opposition member of parliament, believes that the government underestimates the resilience of Japanese farmers. Japanese workers have survived the changes brought about by the rise in the strength of the yen. Farmers should be able to adapt in the same way, she says.

Officials are moving toward that position at no more than a snail's pace. They, of course, are fully aware that the government's main support lies in the rural con-

tinuities, but even that is changing. It is estimated that only one farmer in five has someone willing to take over when he becomes too old to work the fields. That eventually should not only shift the power of the rural vote, but also release vast tracts of land for real farmers to get on with the job.

David Powers

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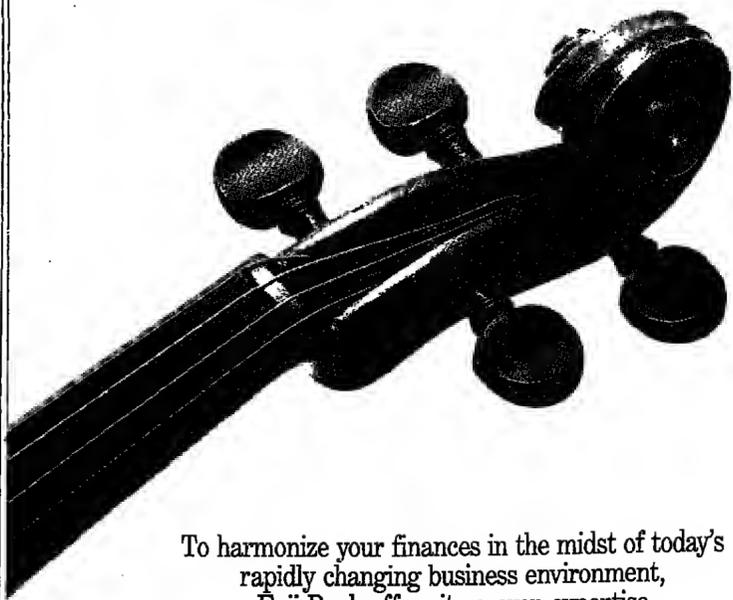
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Tourism ■ World Views

With Prodding, More Japanese Travel Abroad

By Anne G. Pepper

TOKYO—In the autumn of 1987, as Japan's trade surplus with the rest of the world hovered near \$80 billion, the Japanese government announced a plan aimed at virtually doubling the number of overseas travelers from the fiscal 1986 level of 5.5 million to 10 million by the end of 1991.

The Ten Million Project, as it was called by the Ministry of Transport, was intended not only to offset some of the trade surplus by increasing Japan's deficit in invisibles, but also to encourage the country's notoriously workaholic labor force to take more vacation. Additionally, as more people traveled abroad, the pace of Japan's much-vaunted goal of "internationalization" would be quickened.

Measures taken by the government to promote the Ten Million Project include providing assistance to developing nations for tourism development, cooperating with foreign governments unable to maintain tourist promotion offices in Japan, allowing more charter flights to take off for overseas destinations from regional airports, fostering school trips abroad and encouraging travel and tourism-related businesses in



Japanese tourists in Europe visiting Mont Blanc.

Japan to expand their investment overseas.

At about the same time that the Ten Million Project was announced, the government raised the amount of merchandise that Japanese travelers can bring home tax free from 100,000 yen to 200,000 yen (\$825 to \$1,650).

Many people both in and out of the Japanese travel industry believe that the number of Japanese going overseas would have reached 10 million by 1991 regardless of what the government did.

"I think the 10 million figure will be reached in three or four years, not five," said Koji Ooto of Hankyu Express International, "barring the breakout again of war in the Middle East, or something of that scale."

The regional director of the Asia/Pacific Office of the U.S. Travel and Tourism Administration, Fritz Schmitz, said, "The 10 million is a drop in the bucket compared with the real potential. We think there's easily 50 million Japanese who can afford a trip to the U.S. these days."

With the Ten Million Project barely into its second year, the number of Japanese traveling overseas during 1988 is moving toward eight million. In the first six months of this year, nearly four million Japanese went abroad, a

28 percent increase over the first six months of 1987.

However, they represented only a small portion of the overall population of 122 million. In 1987, only 5.6 percent of Japan's population took a trip overseas, compared with 34.7 percent of the West Germans, 44.6 percent of the British, 18.2 percent of the French, and 16.3 percent of Americans.

Over 80 percent of the Japanese who left the country in 1987 traveled for pleasure rather than for business, and among pleasure travelers the fastest growing segment was women, especially young women.

The price of imported goods in Japan has out declined proportionately with the yen's rise, and savvy shoppers are quickly realiz-

ing the bargains that can be found overseas. Two favorite destinations are the duty-free ports of Hong Kong and Singapore.

Although Japanese are spending an increasing amount of money overseas, it is difficult to assess how much of that amount actually offsets the trade surplus. Complainers are often heard that Japanese tourists fly largely on Japanese-owned airlines, stay in Japanese-owned hotels and shop in Japanese-owned stores.

Japan's international tourism deficit in 1987 was \$8.66 billion, up from \$5.77 billion the year before, and the 1988 figure is projected to represent another substantial increase. But while the tourism deficit is growing, it has a long way to go before it equals the deficit piled up by the peripatetic West Germans: \$15.77 billion in 1987. (West Germany also has a huge trade surplus.)

The preference for short vacations means a preference for closer destinations, and this has been a cause for concern within the European travel industry. A report commissioned by the European Travel Commission last July criticizes the Japanese government for not having done more — in line with the Ten Million Project — to promote longer vacations.

ANNE G. PEPPER, a journalist based in Tokyo, is a columnist for the Japan Times.

1992: New Opportunities?

Continued from page 7

States, but the message was clear — do not cut out Japan at the same time.

Japan sees Britain as a strong potential ally as the integrated market approaches. Already there are more than 80 Japanese-owned factories in Britain, a presence seen by some Europeans, particularly the French, as a Trojan Horse in the community. "But you invited us there for exactly that purpose," says Mr. Fujiwara of Keidareu. He echoes the views of many Japanese businessmen who are enthralled at the prospect of access to the huge market that an integrated EC represents, if they can get it.

One of the biggest areas of contention is automobiles. France is already refusing to accept Nissan cars built in the northeast of England as British-made, and counts them as part of the 3 percent quota it has set for Japanese cars.

Although Britain welcomes Japanese investment as part of its strategy to reduce unemployment, many Europeans regard Japanese factories as "screwdriver assembly plants" using cheaper local labor simply to assemble components imported from Japan. Europe's answer has been to insist on a high level of local procurement, and it has had no hesitation in using anti-dumping legislation against companies that refuse to adhere to the threshold of 40 percent local parts.

Nissan's British-made cars now contain roughly 70 percent of local parts, and the aim is 80 percent or more. "We regard them as British cars," Wyn Roberts, minister of

state for Wales, assured the Japanese when he visited Tokyo in October. "If necessary, we'll take France to the European Court to gain access for them."

The Japanese government says it will regard the whole question of cars after 1992 as a test case of the constant assurances being put out by EC officials that "Fortress Europe" is a myth.

Europe 1992, however, will cover or large areas, such as financial

they cannot afford protectionism. They also try to brush off Japanese fears about vague talk of "reciprocity" by pointing out that the whole concept of the General Agreement on Tariffs and Trade is based on reciprocity and mutual advantage. There will be no going back, they say, on agreements already reached.

Europe 1992, however, will cover or large areas, such as financial

Tokyo fears the world may split into blocs that leave Japan outside.

spokesman in Tokyo, says the community is not in the business of passing such tests. Japan exports 1.1 million cars a year to the EC, while trade in the opposite direction is fewer than 100,000 vehicles.

He admits that some quantitative restrictions on Japanese cars will remain, to give European manufacturers time to reorganize. "However, it does nobody any good at all to judge 1992 by one sector," says Mr. Lake. "It's like trying to judge the health of an elephant by the state of one of its kneecaps."

EC officials say the community accounts for 20 percent of world trade, and the stake of all 12 EC countries in ensuring the continuation of that trade is so high that

services and government procurement, which fall outside the scope of any international agreements. Japanese banks and securities companies, for instance, are able to offer services in London that they are barred from offering in Tokyo. Deputy Foreign Minister Kuroki says: "Different legal and social systems exist for many justifiable reasons in different countries. To withdraw a benefit each time the other country cannot reciprocate, would diminish the scope for free trade very seriously."

DAVID POWERS is a radio reporter for the British Broadcasting Corp. in Tokyo.

'Internationalization,' a Reality and a Myth

By Christine Chapman

TOKYO—At an urban development conference here, three foreign experts were invited to speak to give the meeting an international flair. Their speeches were applauded loudly.

But during the coffee break a special room was set aside for the foreigners so the Japanese could avoid them and the embarrassment of an uncomfortable session.

The Japanese emphasis on "internationalization" — almost a national motto for end-of-the-century goal — goes only so far. To the obliging citizen it means saving money for trips abroad and buying foreign goods while traveling, studying English conversation, going to ethnic restaurants and listening to foreigners in concert halls or at the lecture.

It does not include a desire for increased foreign news coverage in newspapers and television broadcasts or for government flexibility in opening Japan to the thousands of Southeast Asians who want to study and work here.

"A sense of belonging to the world is very limited here," said Shinichi Kato, Japan's itinerant academic and constant critic, during an interview on the country's infatuation with "internationalization," or *kokusaika*.

"Most people who talk about it don't know what they mean. But internationalization is both a reality and a fiction," said Mr. Kato, 68, the author of several books on Japanese culture. "Internationalization of the economy is the reality, and the media have made the idea fashionable, although 90 percent of the content of newspapers and television is concerned with Japan. If it doesn't affect Japan, papers and TV ignore foreign news."

The Japanese mentality is not internationalized, but insular, a closed community mentality as in the corporations. The employee is concerned with what's going on

inside the company. He has not developed the habit of communicating with anyone outside the group, including his own wife. She's an outsider, and foreigners are extreme outsiders.

The outspoken Mr. Kato has admitted that he keeps himself "on the margin of Japanese society." Some Japanese consider him "the moral conscience of Japan," others a maverick.

His opinions are sought after at home and abroad, where he lectures on Japanese culture in universities from Mexico City to Moscow. His focus includes Japan's enduring economic success story and the confidence the Japanese have gained from it.

Calling "sustained economic power" Japan's real internationalization, Mr. Kato lists its characteristics: worldwide trade, the licensing to developing countries of industrial technology, the emergence of the yen as an

'A sense of belonging to the world is very limited here.'

international currency, industrial investments abroad and joint ventures in Japan, the opening of the financial market to foreign banks and foreign investment here, the Japanese purchase of foreign stocks and bonds.

This economic internationalization seems to imply an increase in social contacts, but Mr. Kato believes that a

familiarity with foreigners is not occurring. "It's getting to be more and more a serious problem that the insular mentality created," he said. "Contact is needed. Its lack is connected to the trade friction."

Another peculiarity of Japan's international behavior is its preference for the West and Westerners, specifically for the United States. "Internationalization" and "Americanization" are almost synonymous.

"International" is a euphemism for "American," Mr. Kato agreed. "An example is *shikawa*, English conversation. What counts is to talk in English, Korean and Chinese are not so international," he said.

Universities offer multiple English classes in conversation, linguistics and literature, but very few courses in Korean, the language of Japan's nearest foreign neighbor.

A deeper perversion of the idea of "internationalization" is the reverse side of that label: nationalism, or ne-nationalism as Mr. Kato calls it, is the result of Japan's pride in its strong economy. "It's a reaction to the loss of confidence in the postwar years. Once everything Japanese was bad, now everything is good because of the GNP."

According to Mr. Kato, "GNP nationalism" is widely spread, but it has "not crystallized as coherent ideology."

"It's a diffused feeling," he insisted. "As such, it's not dangerous, but the process is going on steadily. This nationalism is based on self-confidence that comes from internationalization of the Japanese economy. It is doomed to be self-contradictory."

Historically and politically, there is another drawback to Japan's new nationalism. According to Article 9 of the postwar constitution, Japan renounced war and claimed "land, sea, and air forces, as well as other war potential, will never be maintained."

CHRISTINE CHAPMAN is a journalist based in Tokyo.

Perspectives Differ on the Need to Globalize

Continued from page 7

sphere: Recent rises in overseas sales, for instance, suggest that a fundamental shift away from export-led growth has not yet taken place. Equally, the highly emotional response to recent U.S. demands for access to the Japanese rice market seem no different than they would have been a decade ago.

For many economists, the economic challenges of internationalization are crystallized in the nation's continuing trade surplus. This year it is expected to drop only marginally from the \$94 billion reported for the fiscal year to last March 31. Yet, there is little apparent awareness outside the bureaucracy that for the international community the trade-adjustment process is the most central measure of Japan's willingness to assume genuine global citizenship.

To me the internationalization issue means developing a more realistic idea of what we are doing in the world," said Akio Mikumi, a prominent business consultant in Tokyo. "Any scientific analysis would show that we have to cut the trade surplus drastically. But most forecasts still assume a chronic surplus over many years, perhaps at slightly lower levels. We're just not there yet."

For most political analysts, lasting advances toward a more internationalized Japan are likely to come only when the nation begins a broad evolution toward a more diverse and individualistic society. It is only through this process, these analysts assert, that such phenomena as the current import binge — the BMWs and all the other new symbols of status and wealth — will amount to more than superficial fashions.

Across the board, the core issue is coming down to politics. Ultimately, the challenge is the reconstruction of the political system to make it more responsive to demographic changes and the new power of urban consumers. At the moment the ruling party stands to lose too much, for instance, in an effort to reapportion seats in the Diet, Japan's parliament, where rural constituencies enjoy voting power of up to three times that of urban areas.

More fundamentally, there is an

emerging view that the long-swoiled question of constitutional revision must ultimately be opened if Japan is to behave as a sovereign nation. In general, this option remains discredited, since it is supported only by ultra-rightists and neomilitarists, from whom proponents of the "peace constitution," which severely limits Japan's defense commitments, claim to be protecting the nation and the world.

But until this issue is addressed, can Japan decisively break the postwar mold and assume its proper place in the world? The argument is simply this: Vague notions of Japan as an unarmed world peacemaker only serve to deflect serious debate about Japan's past, sustain a deep sense of irresponsibility among the Japanese and prevent the nation from accepting the risks naturally associated with new obligations.

At least partly misunderstood among his western counterparts. In essence, Japan's greatest contemporary internationalist stood for the reinterpretation of nationalist impulses in forms acceptable to the rest of the world.

"I never felt the constitution was an area that needed to be discussed in the years after the war," Mr. Hamada, the ruling party legislator, acknowledged in an interview. "But in the future it is something that will have to be debated more clearly."

Prime Minister Noboru Takeshita has revealed the strengths and weaknesses of Japan's internationalization effort more clearly

than most political analysts anticipated when he took office a year ago. His record in solving key political and economic issues — farm imports, tax reform and others — is admirable by any measure. But his traditional methods have only underscored the extent to which Japan today is still a matter of *plus ça change, plus c'est la même chose*.

Mr. Takeshita's greatest triumph, the recently passed legislation that will modernize the national tax system, is an important part of the internationalization process, since it will eventually encourage greater domestic consumption. But in pushing it through the Diet, the prime minister ironically demonstrated that democracy in Japan remains severely limited when put to a test.

Many social analysts hang

hopes for the inner internationalization of Japan on generational change. But others argue that changes in the Japanese system — changes that are largely political — will be required if substance is to be given to the appearance of change that a younger generation offers.

"Japan's cosmopolitanism is still very superficial," said Yoshikazu Sakamoto, a respected political scientist in Tokyo. "We can talk about a new breed of Japanese, but many of our young would revert to traditional values if a crisis were to arise."

PATRICK L. SMITH is the International Herald Tribune's bureau chief in Tokyo.



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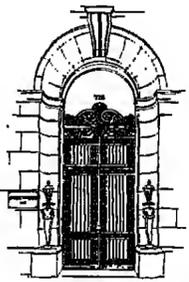
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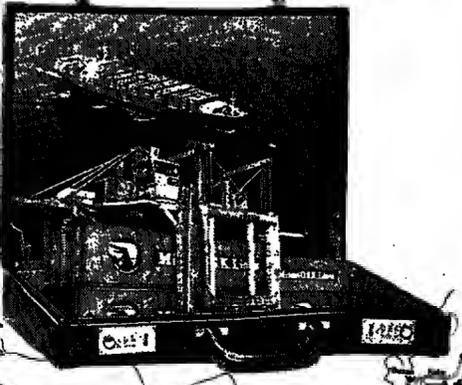
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For the Returnees, Elite School Bridges The Curriculum Gaps

By Dana Lewis

TOKYO — In a spartan office on the campus of Tokyo's Komaba High School, Tsuneaki Ohtaka plots educational revolution.

The veteran educator described plans for Tokyo's first public high school dedicated to providing continuing international education for a unique class of Japanese students — *kikoku shijo*, or returnees to Japan after years of living abroad. The modernistic buildings include a computer room and multiple language labs.

The new principal also displayed a natty pair of blue blazers, the uniforms of Tokyo Metropolitan International High School, scheduled to open in April.

The blazers are an improvement on the spartan black jackets and drab pinafores worn by most of Japanese public school students. But Mr. Ohtaka's new charges may still be less than

and, at worst, discriminated against by teachers and peers.

"My teachers told me I had big problems but they didn't do anything to help me," recalls Hiroyuki Hata, who enrolled in a regular Japanese junior high school after five years in Philadelphia. "Whenever there was some kind of problem they would blame me and say it was because I felt things like an American."

Compounding the problem is Japan's competitive educational system. With admission to good schools considered a ticket to future job security, Japanese schools have developed elaborate entrance exams that all but screen out children educated in foreign schools with different curriculums. Until recently, even schools willing to accept returnees required that they meet the same entrance standards as children brought up in Japan.

Fearful of having their children cut off from Japan's new affluence, education-conscious Japanese parents often go to extremes to keep them from falling behind. Many children, especially high school boys approaching their all-important university exams, are left behind in dormitories or with relatives when families go overseas. Recently, Show Women's University announced plans to tutor students living abroad via facsimile machines. And Japan's ubiquitous cram schools, dedicated to prepping students for entrance exams, have opened branches in London and New York.

Lasting change, however, will have to come at home. The new International High School is an example of the progress that is being made. Returning students need only to provide transcripts of their foreign grades and an essay written in the language of their choice to be considered for admission. A radically revamped curriculum has been tailored to capitalize on the strengths and correct the weaknesses of returning students.

Regular public schools are also getting into the act. In line with guidelines issued by the Ministry of Education in October, increasing numbers of them have agreed to accept returnee students and, in some cases, ease entrance procedures.

Even more promising are signs that returnees are receiving a friendlier welcome from Japanese society. Yumi Hattori, a senior at International Christian University's special high school for returnees in suburban Tokyo, was nervous about returning to Japan's strict schools after five years of living near New York City. But she found that her fears of being ostracized by old friends were groundless.

"I still don't like to show off my English around them because I don't want to hurt their feelings," said Miss Hattori, "but now they ask me to help them with their English homework, and they say they envy me because I've been to New York."

Japanese companies, too, are helping ease the stigma against returnees. "The taboo is



Students wear local costumes at a Japanese school in Alsace.

The vaunted school system has proven insular and inflexible.

pleased. To many returning students, uniforms are symbolic of a rigid school system that, far from welcoming them home, ostracizes and punishes them for being different. At a time when Japan is being forced to go international, its vaunted school system has proven insular and inflexible.

"How to teach returnee children," said Mr. Ohtaka, "is the No. 1 problem facing Japanese education today."

The problem is big and still growing. The march of Japanese companies into world markets has prompted a mini-exodus of businessmen with school-age children. According to the Ministry of Education, 41,133 Japanese children were attending school abroad at the end of 1986, up from 35,663 only five years before. Moreover, only 40 percent were attending the 82 Japanese schools that have been built abroad, while 20 percent had no access to supplemental Japanese schooling at all.

But the real problems begin when the children, an estimated 10,000 every year, come home. Rather than being prized for their fluent foreign language skills and familiarity with different cultures, returnees are often ignored

gone," said Tetsuhiko Kokido, deputy general manager in Mitsui Bank's Human Resources Division. Until 1984, Mitsui did not hire Japanese students educated at foreign universities. Now it sends recruiters abroad each year in search of them.

"They bring a different sense of culture and a broad-minded perspective to Mitsui," said Mr. Kokido. "Nowadays, banks, trading companies and other firms are eager for these qualities. Being a returnee has become an advantage."

Yet for all the progress, much remains to be done. "It's not enough for schools just to let in returning children," said Kan Fujisawa, director of the Returning Student Educational Center at ICU's high school. "They still have to think of ways to continue to build on their language skills and make use of their foreign experience instead of suppressing it."

Then there is simply the problem of getting in the door. At International Christian University, three times as many students apply for admission each year than there are openings.

At Mr. Ohtaka's office, some 20 inquiries, many from overseas, have been pouring in daily for only 80 openings a year.

But perhaps most disturbing of all is a qualitative change in the returning students themselves. "Returning students these days are not as interesting as they used to be," said Mr. Fujisawa. "They have better Japanese, and less problems adjusting, but you don't see as many of the strong individualists there used to be 10 years ago."

An ICU counselor, Makiko Okada, said Japanese students are often so busy with weekend Japanese lessons, airmailed homework and cram school classes that they might as well be back in Japan. "It's not getting easier for students living abroad," she said. "They are not concentrating on their foreign experience and foreign schooling, but on studying so they can fit in when they come back to Japan."

DANA LEWIS is a freelance writer and translator with eight years' experience in Japan.

Yen a Primary Force In Spiraling Art Prices

By Kay Itoi

TOKYO — It is an old building in Tokyo's busiest business district. But once you get inside Seiji Matsuo's eighth-floor "museum," the contents seem anything but shabby. Here is a 6th-century limestone Buddha from China, there is a small Giacometti bronze. Everywhere are paintings by Japan's favorite artists, from Auguste Renoir to Marie Laurencin and Maurice Utrillo.

This is only a fraction of Mr. Matsuo's collection. A millionaire realtor who attended his first art auction in 1972, Mr. Matsuo, now 94 and still collecting, is widely considered to be Japan's first art investor. As such, he sparked Japan's first boom in purchases of art abroad and anticipated by more than a decade another that has suddenly made Japan a major international market.

Indeed, the strong yen has made Japanese investors a primary force in the skyrocketing of art prices over the past four years. While an average Picasso painting might have cost around \$200,000 in 1983, said Shinichi Segi, director of the Tokyo Art Institute, the same work could now fetch up to \$23 million.

When Picasso's 1905 "Acrobat et Jeune Arlequin" was sold for \$38.5 million a week ago, for instance, the buyer, once again, was Japanese — this time, the Mitsukoshi department-store chain.

Until the yen began to rise in 1985, Japan imported some 50 billion yen (\$413 million at current rates) worth of art annually. But with purchases nearly doubling every year since then, Mr. Segi expects Japanese purchases of foreign art to reach a record 250 billion yen in 1988.

Not surprisingly, the government has come to view these purchases as a useful contribution to the national effort to reduce its trade surplus. But it is a strategy that has its critics.

This became clear last year, when Japan's second-ranked nonlife-insurance company, the Yasuda Fire & Marine Co., made headlines with its purchase of Vincent van Gogh's "Sunflowers" at Christie's in London for just under \$40 million. As prices climbed at subsequent auctions, so did criticism of the emerging reality: that Japanese were shopping for precious artworks on the back of the high yen.

Like many other Japanese collectors, Yasuda stressed that valuable Japanese art pieces were taken away at the beginning of the Meiji era (1868-1912) and just after World War II. This is quite simply a good time to collect good artworks in Japan again, Yasuda plans to buy six or seven more major paintings over the next decade.

"True, the present situation provides a good opportunity if you want to buy really precious pieces," said Sachiko Hibiya, Christie's representative in Japan. "Sellers' expectations of good prices bring good, well-known works to an auction."

Miss Hibiya said she considered competition between newly rich Japanese and Americans, especially those in entrepreneurial fields,

as the chief factor behind fast-rising prices, since their interests are surprisingly similar. Both love the French Impressionists, for instance, which is why prices for those works have so far outpaced those for paintings of other periods lately.

Sotheby's, the London-based auction house, has been notably aggressive in the Japanese market since it began cooperating with the Seibu Saison retailing group in 1979. It is still the only Western house with such a link.

"I don't hear criticism against Japanese activities at foreign auctions, as the Japanese press says there is," states Kazuko Shimizu, director of Sotheby's in Tokyo. "It seems rather

Purchases in 1988 may reach 250 billion yen.

er a self-criticism to me. Since most Japanese don't know how an auction works, they tend to pick a high price and make a deal on it."

With the world market in art last year estimated at 3 trillion yen, Japan will soon account for 10 percent by most estimates. But Japanese bidders are said to have lost out at several auctions this fall — one sign that Japanese interest may be at its peak.

Mr. Segi, of the Tokyo Art Institute, admits that the boom is reaching its limit: Prices are simply too high.

As the world's richest nation, it is time for Japan to be a repository of art in the same way as Britain and the United States, Mr. Segi is pessimistic. Art-related expenditures in the national budget, he points out, are around 6.4 billion yen annually, while France budgets the equivalent of 60 billion yen and Britain 100 billion yen.

"What is the power of the country?" he asks. "Sure, Japan is financially strong. But do you think Japan is culturally strong, too?"

Despite the national enthusiasm for foreign art purchases, many curators say, there are still few genuine collectors in Japan. Although the pieces have long been known for their keen aesthetic sense, their approach to European art tends toward the conventional and the pecuniary.

"Every art collection is supposed to reflect the collector's intelligence and *esprit* — in other words, how he sees the world, not his financial status," said Yukio Kondo, a curator at the National Museum of Modern Art. "It will take some time to change this situation in Japan, but when the Japanese start collecting art on its own merits, international criticism will disappear."

KAY ITOI is on the staff of the International Herald Tribune in Tokyo.

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Herald Tribune

	Q1	Q2		Q1	Q2
Brother Industries, Ltd.			Mitsui & Co.		
Canon, Inc.			Mitsui O.S.K. Lines, Ltd.		
Citizen Watch Co.			NEC Corp.		
C. Itoh & Co.			Nippon Steel Corp.		
Fuji Photo Film Co.			Nippon Telegraph & Telephone Corp. (NTT)		
Fujitsu, Ltd.			NYK Line		
Hattori Seiko Co.			Nissan Motor Co.		
Hitachi, Ltd.			OKI Electric Industry Co.		
Honda Motor Co.			Olympus Optical Co.		
Kamebo, Ltd.			Ricoh Co.		
"K" Line			Sanyo Electric Co.		
Komatsu, Ltd.			Seiko Epson Corp.		
Konica Corp.			Sharp Corp.		
Kubota, Ltd.			Shiseido Co.		
Marubeni Corp.			Sony Corp.		
Matsushita Electric Industrial Co.			Sumitomo Corp.		
Mazda Motor Corp.			Takada Chemical Industries, Ltd.		
Minolta Camera Co.			Toshiba Corp.		
Mitsubishi Corp.			Toyota Motor Corp.		
Mitsubishi Electric Corp.			Yamanouchi Pharmaceutical Co.		
Mitsubishi Motors Corp.					

Name _____
(PLEASE PRINT)
Position _____
Company Name _____
Address _____
Country _____

Please cut out this questionnaire and send it to:
Ms. Claire Eyles, International Herald Tribune, 181 avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France.

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FROM BULLET TRAIN
MONDAY, DECEMBER 5, 1988
EUROBO

Issuers Paying To Accept Calls

By CARL GE...

PARIS — Over the years, EuroBO looked such technical market prematurely rewarded for adequately rewarding them as interest rate coupon bonds with lower-coupon bonds over the past three years, the Bank of Tokyo and Lavo have been unwilling to buy calls. But an effort is currently underway by bondholders to accept a swap option from the Bank of Tokyo and Lavo. The Bank of Tokyo and Lavo swapped the Eurodollar sector of the EuroBO callable bonds that was swapped by Skandinaviska Enskilda.

The issues were identical — maturities of seven years but callable on any coupon payment date starting at the end of the fourth year — and the swap offered interest rates less of a reward than the EuroBO did. That raised the question of whether issuers would be willing to pay for the swap to call their bonds.

The issuers can afford to pay the additional income generated by the swap because the cost of raising funds — the cost of raising funds — is lowered by paying them a high price.

The sale of the call option is fixed at 100 percent of the face value of the bond. Most of the time — although some of the time — the swap counterparty that is willing to swap before the final maturity would be a great interest rate fall and it becomes more terms than the swap counterparty.

Bankers value the option to call at 100 basis points, or 0.2 percent, considered a reasonable price to a sharp drop in interest rates.

NEXT COMES THE QUE

Some are pocketed by the issuer extra is paid investors to swap bonds that can be called. Skandia passed the bulk to trip manager Bankers Trust, which expected to pay about \$5 billion in swap to issue seven-year EuroBO swaps to issue callable by the issuer to yield 1/2 basis point in swap to investors 1/6 of the 20 of the call option.

The swap spread and a premium possible to set the annual swap over Treasury rates, but EuroBO investors who measure the swap to the Salomon Brothers' EuroBO, rather indifferent to the swap option, since maxi...

Thus, the Enskilda issue shows EuroBO investors could be satisfied. Last week's issues from double-A Lavo Bank Overseas was a swap on Lavo's \$150 million swap with Shearson Lehman along the spread at 73 basis points.

But by Monday's official launch by the like in the prime rate of 1/2 represented a spread of only 65 basis points — a scant seven basis points to pay on a non-callable bond.

The subsequent recovery in the swap spread report was worshipping, but the spread at 76 basis points. By Friday, however, a swap on Lavo's imminent increase was of a big increase in Nov spread was again falling.

While the vagaries of the market, it would appear that Lavo's issue, it would appear that

See EUROBO

Current

Country	Rate	Yield	Rate	Yield
American	15.50	15.75	15.75	15.75
British	12.50	12.75	12.75	12.75
French	10.50	10.75	10.75	10.75
German	8.50	8.75	8.75	8.75
Italian	12.50	12.75	12.75	12.75
Japanese	12.50	12.75	12.75	12.75
Swiss	10.50	10.75	10.75	10.75
Spanish	12.50	12.75	12.75	12.75
U.S.	15.50	15.75	15.75	15.75

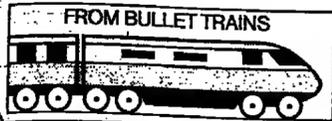
Forward Rates

Country	Rate	Yield	Rate	Yield
American	15.50	15.75	15.75	15.75
British	12.50	12.75	12.75	12.75
French	10.50	10.75	10.75	10.75
German	8.50	8.75	8.75	8.75
Italian	12.50	12.75	12.75	12.75
Japanese	12.50	12.75	12.75	12.75
Swiss	10.50	10.75	10.75	10.75
Spanish	12.50	12.75	12.75	12.75
U.S.	15.50	15.75	15.75	15.75

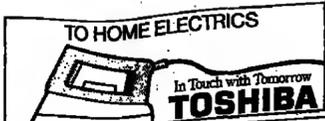
Last Week

All figures are as of Dec. 2

Country	Rate	Yield	Rate	Yield
American	15.50	15.75	15.75	15.75
British	12.50	12.75	12.75	12.75
French	10.50	10.75	10.75	10.75
German	8.50	8.75	8.75	8.75
Italian	12.50	12.75	12.75	12.75
Japanese	12.50	12.75	12.75	12.75
Swiss	10.50	10.75	10.75	10.75
Spanish	12.50	12.75	12.75	12.75
U.S.	15.50	15.75	15.75	15.75



MONDAY, DECEMBER 5, 1988



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EUROBONDS

Issuers Paying Investors To Accept Callable Bonds

By CARL GEWIRTZ International Herald Tribune

PARIS — Over the years, Eurobond investors have overlooked such technical matters as whether issuers can pre-emptively redeem bonds or whether bondholders are adequately rewarded for accepting callable bonds.

But if the ANA decision in Washington... But an effort is currently underway to overcome that resistance by paying bondholders to accept such paper.

The Bank of Tokyo and Lavoro Bank Overseas last week tapped the Eurodollar sector of the market using a formula to sweeten callable bonds that was successfully introduced a week earlier by Skandinaviska Enskilda Banken.

The issues were identical — stated maturities of seven years but callable on any coupon payment date starting at the end of the fourth year — last week's models offered investors less of a reward than Enskilda did.

There would be a great interest to exercise that option if interest rates fall and it becomes possible to borrow at much lower terms than the swap counterparty had originally agreed to pay.

Bankers value the option to call the bonds and undo the swap at 20 basis points, or 0.2 percentage point, a year. This obviously is considered a reasonable price to pay for such insurance against a sharp drop in interest rates.

NEXT COMES THE QUESTION how much of this income is pocketed by the issuer of the bond and how much extra is paid to investors to overcome their reluctance to purchase bonds that can be called.

Enskilda passed the bulk to investors. Normally, according to lead manager Bankers Trust, triple-A-rated Enskilda would be expected to pay about 55 basis points over the yield on U.S. Treasury paper to issue seven-year bonds that are not callable.

Terms on Lavoro's \$150 million issue, launched Monday, were agreed with Shearson Lehman Brothers the previous Friday, setting the spread at 73 basis points over the Treasury benchmark.

But by Monday's official launch, the bond market was roiled by the hike in the prime rate of U.S. banks and Lavoro's terms represented a spread of only 65 basis points over the Treasury yield — a scant seven basis points more than it would be expected to pay on a non-callable bond.

The subsequent recovery in the Treasury bond market, following a Federal Reserve report indicating that the U.S. economy was slowing, put the spread at 76 basis points over the seven-year yield level. By Friday, however, with bond prices again tumbling on fears of an imminent increase in U.S. interest rates following news of a big increase in November employment levels, the spread was again falling.

While the vagaries of the market distorted the spread on Lavoro's issue, it would appear that even at the outset Lavoro was

See EUROBOONDS, Page 15

Currency Rates

Table with columns for Currency, Dec 2, and Dec 5. Includes rows for Amsterdam, Brussels, Frankfurt, London, Milan, New York, Zurich, Tokyo, and other international locations.

Table with columns for Currency, Per \$, and Per 100. Includes rows for Australian, Canadian, Hong Kong, Indian, Japanese, New Zealand, Singapore, and Swiss franc.

Table with columns for Currency, 30-day, 90-day, and 180-day. Includes rows for Forward, Pound Sterling, Deutsche mark, and other forward rates.

Sources: Reuters Bank (Brazil); Banca Commerciale Italiana (Milan); Banque Paribas de Paris (Paris); Bank of Tokyo (Tokyo); IMF (S&P); BAI (Lima); Riyal, Riyal, and Riyal (Riyal); Other data from Reuters and AP.

Last Week's Markets

Table with columns for Stock Indexes, Money Rates, and United States. Includes rows for OJ Index, OJ UH, OJ TR, S & P 500, S & P 100, NYSE Comp, FTSE 100, FTSE 20, Dow Jones, Nikkei 225, West Germany, Commerzbank, Hansa Kono, WASCIP, and London Am. Inc.

After 6 Years of Growth, a U.S. Recession Could Really Hurt

By Peter Passell New York Times Service

NEW YORK — After six years of prosperity, is the U.S. economy heading for a fall?

"Recessions don't just happen," scoffs Beryl W. Sprinkel, chairman of President Reagan's Council of Economic Advisors, and most of his peers would probably agree.

External shocks — or rather, shifts in government policy in response to traumatic economic events — set off modern recessions.

What are the chances, then, that Washington will be caught in an economic downturn of its own making? They are less than conventional wisdom or the frequency of recessions in recent decades might suggest, argues Robert Litan, a Brookings

Institution economist and co-author of a new book, "American Living Standards."

If the recession does come, though, it could be a killer.

Look closely at the eight economic contractions since World War II, and it is fairly easy to identify the way government tipped the balance, cutting spending or tightening credit — or both — in response to external events.

Why is President-elect George Bush likely to do any better than his predecessors at maintaining the equilibrium?

There is less chance he will be tested, Mr. Litan argues. The precipitating factor in the last two major recessions was a run-up in oil prices.

Today, with untroubled world production capacity is rising the level of 1980 and ministers of the Organization of Petroleum

Exporting Countries are barely able to conduct a civilized conspiracy.

Poor harvests raised food prices by 13 percent more than the general price level in 1973-74, fueling the inflation that led to the 1974-75 recession.

But grain inventories are much larger today, and the world is far less dependent on exports from a single continent.

The economy also seems well buffered against a domestic financial shock.

Mr. Litan's one big worry is a "dollar strike" in which investors rush into other currencies and interest rates on dollar-denominated securities soar.

The industrialized countries have avoided such a panic, macrographing a 40 percent slide in the dollar from the spring of 1985 to the summer of 1988.

But foreign central banks have from time to time been forced to buy staggering amounts of foreign exchange — \$148 billion in 1987 alone.

And the dollar of liquid dollar assets is so large today that no bank intervention could protect against a run-up in U.S. interest rates.

The severity of the resulting recession would depend on the size of the shock. A rise of one or two percentage points in inflation in 1990, Mr. Litan estimates, might precipitate a mild downturn for three quarters and reduce the gross national product by about \$100 billion.

A 1982-style recession caused by a spike of four percentage points might last five quarters and cost \$1.2 trillion.

But it would be a mistake, Mr. Litan argues, to assume that the next recession

would be no more severe than the previous ones. The portion of corporate income devoted to interest payments has doubled since the mid-1980s, he notes.

The far more serious threat suggested by Mr. Litan is policy paralysis induced by the federal budget deficit.

Were the American economy to enter a 1982-style recession tomorrow, Mr. Litan estimates, the deficit would automatically balloon to about \$250 billion.

Recession-fighting would have to be left to the Federal Reserve. The loss of the fiscal option might merely prolong the downturn by a few months.

But it is possible that the economy would become bogged down for years, as the Fed walked the line between the need to lower interest rates and the worry that a rate cut would destabilize the dollar.

Michael Milken: Dreams to Nightmares

Financier Faces Personal Crisis In Legal Battle

By David A. Vise Washington Post Service

BEVERLY HILLS, California — Seated at a black marble table at the Drexel Burnham Lambert Inc. office here was Sheldon Hackney, president of the University of Pennsylvania.

At his side was Michael R. Milken, the 42-year-old Drexel executive who heads the firm's junk-bond department. Mr. Milken plucked a handful of kernels from a bowl labeled "Michael's Popcorn" and said to Mr. Hackney, "Tell me your dream."

It was not an idle invitation. Michael Milken is a dream-maker. Regarded by many as the most influential American financier since J.P. Morgan, his rapidly accumulated wealth and power enable him to turn fantasies into realities.

Today, Mr. Milken's problems have risen to a comparable magnitude. He is the focal point of the most spectacular securities fraud investigation in history, and he expects to face a criminal indictment soon.

But the strains of this personal crisis were not evident as he listened intently to Mr. Hackney's appeal for money to improve the university's relations with predominantly-black West Philadelphia.

Mr. Milken's eyes lit up, he grabbed more popcorn and was off and running with a plan to purchase houses in the neighborhood.

"This is another of my crazy ideas," he said. "Let's say we go out and buy up these houses at \$10,000 to \$15,000 each. We can buy 100 percent for \$8 million. I think the houses could be worth \$50,000 once the whole neighborhood is brought back up."

"We give away half to the community," Mr. Milken continued, "get kids instead of writing graffiti on the walls to work on the



Lori and Michael Milken: A seemingly perfect life threatened by legal problems.

houses. People have a lot of pride in a building if they are working on it."

Mr. Milken then raised the idea of requiring University of Pennsylvania students to do volunteer work for five hours a week in West Philadelphia.

The renaissance of West Philadelphia seemed nearly complete when a secretary entered the room and brought the two back to Beverly Hills. Mr. Milken was late for a meeting with the chief executive of a health-care company.

Before Mr. Hackney was ushered to the elevators, Mr. Milken

told him: "Dream one is financing. Dream two is West Philadelphia" and then thanked him for stopping by.

Like old-time doctors, most Wall Street financial advisers still make house calls, traveling to see their corporate clients around the country.

Mr. Milken's wife Lori appeared worried and emotional during a brief interview. Their life had seemed nearly perfect. But what if it turned to loneliness and shame because Mike Milken were convicted and sent to prison?

"I feel like Dorothy," Lori Milken said. "I woke up in this nightmare. How did this happen?"

See MILKEN, Page 17

Report Says U.S. Growth Is Persisting

By Carl Gewirtz International Herald Tribune

PARIS — The dollar rose and then fell sharply Friday as currency traders, certain that the Federal Reserve would raise interest rates in response to the unexpectedly large U.S. employment gains in November, pushed it up, then sold the currency when the Fed failed to deliver the expected signal.

The net effect was that the dollar fell to its lowest level of the week.

The absence of confirmation that the Fed will push up rates had scant impact on the bond market, where prices dropped sharply and pushed up yields as much as a quarter of a percentage point, or on the stock market.

But the foreign-exchange market, sensing that the Fed is in no hurry to raise rates, registered its view that current interest-rate levels are not sufficient to keep the dollar stable by pushing it down to 1.7215 Deutsche marks and 121.25 yen.

The report surveys managers at more than 250 companies representing 21 industries.

The association's composite index, reflecting the strength in November, dropped to 56.6 percent from 56.8 in October. An index above 50 percent indicates the economy is expanding, while a reading below 50 percent implies a contraction.

November was the 28th consecutive month that the index exceeded 50 percent.

New orders rose in November for the 42nd consecutive month, after normal seasonal variations were taken into account.

Market's Dollar Signs Still Bearish

Technical analysts, who base their views on the chart patterns formed by daily, weekly or monthly closing rates, said the dollar will remain weak until it closes at 1.74 DM or 123 yen.

"I see no reason why the recent dollar lows won't be tested," said Simon Crane, a London-based chartist.

"The potential is there for a sharp drop rather than a big rise," said Steven Blitt, an analyst at Salomon Brothers Inc.

But Neal M. Soes, a First Boston Corp. economist, said that "short-term rates are on the rise, if not today then soon enough."

He said that meant "the dollar will be stronger rather than weaker," adding that it may be "possibly up as much as 5 percent from current levels to 1.80 DM and 128 yen."

Exchange dealers were less sanguine. "Do we know that the Fed wants these levels?" asked a New York trader, referring to Friday's market. "Do we know that the Fed wants to use its monetary tools now rather than holding them in reserve to be used in case a crisis erupts?"

China Money Supply

The People's Bank of China, the central bank, is being forced to issue more money as people remain unwilling to make deposits because of low interest rates, the China Daily said Sunday, Agence France-Press reported from Beijing.

LUXOR INVESTMENT COMPANY Notice of Meeting

Notice is hereby given that the first ANNUAL GENERAL MEETING of LUXOR INVESTMENT COMPANY will be held at the Registered Office in Luxembourg, 10A, Boulevard Royal, on Wednesday 14th December, 1988 at 14 hours.

For the purpose of considering the following Agenda:

- 1. To receive and adopt the Management Report of the Directors for the year to 30th September, 1988.
2. To receive and adopt the Report of the Statutory Auditor for the year to 30th September, 1988.
3. To receive and adopt the Annual Accounts as at 30th September, 1988.
4. To grant discharge to the Directors and the Statutory Auditor in respect of the execution of their mandates to 30th September, 1988.
5. To receive and act on the statutory nomination for election of the Statutory Auditor for a new term of one year.
6. To appropriate the earnings.
7. To transact any other business.

The resolutions will be carried by a simple majority of those present or represented and voting.

The shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the Registered Office of the Company not later than twenty-four hours before the Meeting.

By order of the Board of Directors General Manager

OBLI - GULDEN Avis aux Actionnaires Convocation

Nous vous prions de bien vouloir assister à l'Assemblée Générale Ordinaire de OBLI - GULDEN, Société d'Investissement à Capital Variable, qui sera tenue au siège social, 10A, Boulevard Royal, Luxembourg.

le mardi 13 décembre 1988 à 11 heures et qui aura l'ordre du jour suivant:

- 1. Recevoir et adopter le rapport de gestion du Conseil d'Administration pour l'exercice clos au 30 septembre 1988.
2. Recevoir et adopter le rapport du Commissaire pour l'exercice clos au 30 septembre 1988.
3. Recevoir et approuver les comptes annuels arrêtés au 30 septembre 1988.
4. Arrêter la répartition bénéficiaire de la Société.
5. Donner quibus aux Administrateurs et au Commissaire pour l'accomplissement de leur mandat jusqu'au 30 septembre 1988.
6. Renouveler le mandat des Administrateurs et du Commissaire pour un Ordinaire des Actionnaires.
7. Divers.

Les Actionnaires nominatifs inscrits au registre des actionnaires à la date de l'Assemblée seront autorisés à voter ou à donner procuration en vue du vote.

Les procurations doivent parvenir au siège social au moins 24 heures avant la réunion.

La présente convocation est une formule de présentation qui est envoyée à tous les actionnaires inscrits au 28 novembre 1988. Des formulaires de procuration sont disponibles sur demande au siège social de la Société.

Advertisement for Falcon-900 executive jet with text: 'Fly the new Falcon-900 with Europe's leading executive jet service company. 22 jets: Falcone 900 - 50 - 20 - 10. Lax/ies 55 - 35 - 35. Air Conditioning, Satcom. WE INVITE OFFERS IN THE REGION OF US \$2.5 MILLION. Halsey International Marketing Agent, Halsey Marine Ltd. 22 Boston Place, Dorset Square, London NW1 8JZ. Tel: 01-724 1303 Te: 265131 HALSEY G Fax: 01-724 1877'

Advertisement for LIQUIDATION SALE with text: 'We are pleased to announce that the receivers/liquidators for Barlow Cloves International have appointed us agents for the sale of M/Y Boukephalos. 101' Fast motor yacht built in 1985 by Azimut, Italy. Accommodates 9/10 guests and 4/5 crew. Cruise 27 knots, max 31 knots. Air-conditioned. Satcom. WE INVITE OFFERS IN THE REGION OF US \$2.5 MILLION. Halsey International Marketing Agent, Halsey Marine Ltd. 22 Boston Place, Dorset Square, London NW1 8JZ. Tel: 01-724 1303 Te: 265131 HALSEY G Fax: 01-724 1877'

Vertical advertisement on the left edge of the page, partially cut off, mentioning 'dway' and 'ANDREW HORVAT'.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 233 11 30. Prices may vary according to market conditions and other factors.

Dollar Straights

Table listing bond prices for Australia, Canada, and other regions under the Dollar Straights section.

Japan

Table listing bond prices for Japan.

France

Table listing bond prices for France.

Germany

Table listing bond prices for Germany.

Scandinavia

Table listing bond prices for Scandinavia.

Supranational

Table listing bond prices for Supranational.

DM Straights

Table listing bond prices for DM Straights.

DM Zero Coupons

Table listing bond prices for DM Zero Coupons.

Mutual Funds

Table listing various mutual funds and their performance metrics.

United Kingdom

Table listing bond prices for the United Kingdom.

United States

Table listing bond prices for the United States.

United States (continued)

Table listing bond prices for the United States (continued).

United States (continued)

Table listing bond prices for the United States (continued).

United States (continued)

Table listing bond prices for the United States (continued).

United States (continued)

Table listing bond prices for the United States (continued).

United States (continued)

Table listing bond prices for the United States (continued).

Large advertisement for WestLB (Westfälische Landesbank) featuring the text 'Fixed Income and Equities Trading - for dealing prices call:' and 'One of the leading Marketmakers'.

Small advertisement for 'New Intern' and 'World Stocks'.

New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Volume Still Sets Records, But Growth Is Slower

By Carl Gewirtz

International Herald Tribune

PARIS—Although a record volume of money has been raised in the international financial markets this year, the net increase is slowing sharply, according to data published last week by the Bank for International Settlements.

The Swiss-based bank's quarterly survey of international banking and financial markets, covering the first six months of the year, puts the net increase at \$141 billion, a 14 percent decline from the previous six months and a drop of 30 percent from the same period a year earlier.

The net figures for the global international market, which expanded sharply with the record \$244 billion of gross new borrowing, are a new feature of the bank's quarterly reports.

Thanks to "a marked improvement in the statistics available on net credit flows through the international bond market and on new European placements," the bank said it is now better able to estimate the overlaps between financing through the securities market and bank lending.

Key points of the latest report are: Net international bond financing totaled \$65.4 billion in the first half, up sharply from the \$36.7 billion in the crisis-depressed previous quarter but trailing the \$73.5 billion of the first half last year.

The size of the international bond market, which was \$997 billion at the end of the second quarter, surpassed the \$1 trillion mark at the end of the third quarter, with \$102 trillion total debt outstanding.

This made the international market the third largest behind the domestic bond markets of the United States and Japan.

The short-term securities market expanded by \$13.9 billion in the first six months, to \$66.5 billion, of which \$48.3 billion was Euro-commercial paper. By the end of the third quarter, the amount of paper outstanding had risen to \$72.6 billion.

International bank lending, totaling \$95 billion in the first half, was 30 percent below the previous

six months and 37 percent lower than the year-earlier period.

Less double-counting of some \$33.3 billion, the net lending figure for the first half totals \$141 billion, compared with \$163 billion in the previous period and \$202 billion in the year-ago half.

The Bank for International Settlements said it doubted whether the slowdown in bank lending represented a renewed trend towards the disintermediation of banking, a shift away from using bank credit in favor of securities financing.

It noted that "a substantial proportion of the total volume of net new securities was either purchased or issued by banks."

While the implementation of uniform minimum capital requirements for banks "will have repercussions on international bank lending," the bank cited three factors to support continued activity by banks:

Bank loans "remain the most obvious substitute for floating-rate notes," a sector of the bond market that never fully recovered from the disruption caused by the collapse of the market in perpetuals at the end of 1986. So far this year, \$16 billion of floating-rate notes has been issued in the bond market compared to \$47 billion in all of 1986.

The loan market is used to hedge open foreign exchange and

interest rate positions and, via the swap market, to lay off risks associated with activity in the securities markets.

The bank loan market "will probably continue to play a prominent role in providing financial backing for acquisitions and merger activity."

INTERNATIONAL CREDIT

The report also showed continued growth by Japanese banks, with total international assets rising \$269 billion in the year ended in June, to \$1.56 trillion.

The June total was some \$60 billion lower than in March, but that decline may not be very significant, as the March end of the fiscal year is always followed by a large unwinding of purely withdrawal operations.

The Japanese banks, which in 1985 were a close second behind the Americans, now show assets 152 percent bigger than the \$620 billion of the U.S. banks. French banks remain in third place with assets of \$362 billion.

But the bank's report noted that "cross-border business with related offices amounted to over half of the international lending" of Japanese banks, and that "over 80 percent of their final lending to non-banks can be estimated to have been channeled to Japanese residents."

The figures show that the Japanese are net lenders to non-banks and net borrowers from the international market. By contrast, the West German, British and U.S. banks still have a competitive advantage in the bulk of their deposits come from non-banks.

Meanwhile, in the syndicated bank loan market last week, a rare Swiss borrower made an appearance. The actual borrower is Dutch-based Omnicorp International BV, a unit of Omni Holding of Switzerland, which is the principal investment vehicle of the industrialist Werner K. Rey.

Citibank has arranged a \$100 million, three-year revolving credit facility to provide financing for the borrower's investment and merchant banking activities.

The facility carries an annual commitment fee on undrawn amounts of 25 basis points and an interest rate on drawings of 6 1/2 percent over the London interbank offered rate. Banks underwriting \$10 million are offered a front-end fee of 20 basis points.

Citibank is also arranging a \$1 billion revolving credit facility for Montedison USA to refinance an \$800 million bridge loan which expires next February.

The new seven-year facility carries an interest charge of 2 1/2 percent over Libor for the first two years, rising to 3 1/4 percent in the following two years and 5 1/2 percent in the last three years.

Montedison will pay a commitment fee of 12 1/2 basis points on undrawn amounts and front-end fees ranging up to 15 basis points to banks underwriting \$75 million.

First Security Corp., a Utah-based bank holding company, is seeking a \$50 million credit to replace a facility arranged in 1986 and set to expire next year.

Interest on the new three-year credit is tied to its credit rating, which is currently triple-B-plus. At present, First Security will pay a commitment fee of 25 basis points and a drawing charge of 3 1/2 percent.

A or better, the charges drop to a commitment fee of 20 basis points and a drawing cost of 25 basis points.

Chase Manhattan is arranging two loans for Spanish borrower denominated in European currency units. Asea, a privately owned motorway operator, is seeking 80 million ECU (\$95.9 million) for seven years, paying 17 1/2 basis points over Libor. Endesa, a government-owned electric utility, is seeking 180 million ECU for six years with interest set at 15 basis points for the first four years and 17 1/4 thereafter.

EUROBONDS: Issuers Call to Investors With Premiums for Options

(Continued from first finance page)

offering investors an extra 15 basis points, compared with Enskilda's 16.

The scaling back became clearer when Bank of Tokyo entered the market, setting the spread on its \$100 million issue at 60 basis points over the yield on Treasury paper, a scant six basis points more than it would otherwise pay. Clearly, the Bank of Tokyo was playing on the appetite of Japanese investors for 10 percent coupons and felt no need to satisfy the desires of spread-sensitive European investors.

Nevertheless, the pricing raised questions about the durability of

the revival in the sale of callable paper. Bankers acknowledge that there will always be a pocket of Japanese buyers for paper bearing coupons of 10 percent or more. But a wider international appeal, these critics maintain, can only be developed if terms are pitched to give European investors the higher spread over Treasury yields that they find attractive.

Credit National of France, which also borrows in the name of Intertinance Credit National without the explicit state guarantee, tapped the market for \$160 million for four years at a cost of 39 basis points over the Treasury yield—a level that investors hungry for tri-

ple-A sovereign-guaranteed paper found quite acceptable.

The proceeds were used to refinance a \$500 million floating-rate note redeemed last August that Credit National was funding on a short-term basis. An offer to swap the new bond into floating-rate funds at a remarkable level—just over 50 basis points below the London interbank offered rate—was the motivating factor. Bankers said such a low level could only be achieved thanks to a subsidy from the lead manager, the Long-Term Credit Bank of Japan, which effectively paid for the privilege of bringing Credit National to the market.

Bankers said the heavy flow of

issues denominated in European currency units and Australian dollars was more a function of attractive swap opportunities for issuers than a reflection of investor demand—of which there currently is very little.

Of interest to market professionals was last week's election of Jerome Goldstein, managing director of Sanwa International Ltd. in London, as chairman of the Council of Reporting Dealers. The council, an autonomous body within the Association of International Bond Dealers, comprises 116 financial institutions—the leading market-makers—which set and enforce the rules for trading Eurobonds in the secondary market.

U.S. Bonds End Week Unchanged

United Press International

NEW YORK — Although the bond market fell sharply Friday in response to a significantly stronger-than-expected employment report, it ended the week little changed because of steady gains made through Thursday.

The Labor Department reported that the jobless rate rose 0.1 percentage point in November to 5.4 percent but the economy added 463,000 non-farm payroll jobs, almost double what analysts had expected.

Prices of U.S. Treasury issues fell on the news, with most of the losses coming immediately after the report was issued.

Elizabeth Reiners, a vice president and money market analyst at Dean Witter Reynolds Inc., said the nonfarm payroll jump was the "biggest surprise." It fueled fears that the Federal Reserve Board would raise the discount rate, which it charges on loans to financial institutions, in an attempt to slow the pace of economic growth and keep inflation under control. The discount rate currently stands at 6.5 percent.

On Monday, major money center banks raised the prime rate by half a percentage point to 10.5 percent.

Some market watchers predicted the employment report would impel the Fed to take aggressive action to tighten credit. In fact, many said they had expected a discount rate hike to occur on Friday if the employment figures for November came in strong.

Others, however, said they be-

lieved the employment report was not as alarming as it first seemed. Ms. Reiners noted that October's nonfarm payroll figure was revised downward and the manufacturing workweek and overtime were unchanged. But the bond market "did not want to focus on that," she said.

The Treasury's 30-year bonds ended the week 1/32 higher at a price of 98 1/4 and a yield of 9.17 percent. The yield was unchanged from the previous week.

In the market for mortgage-backed securities, benchmark Government National Mortgage Association issues fell a quarter of a point on the week.

Rates on three-month Treasury bills ended the week at 8.05 percent, up from 8.02 percent. Rates on six-month bills rose to 8.24 per-

Treasury Bonds

Table with columns: Maturity, Bid, Ask, Yield, % Chg. Lists various Treasury bond maturities and their market prices.

U.S. Consumer Rates

Table with columns: Item, Rate, % Chg. Lists various consumer rates like 1-year T-bill, 3-month T-bill, etc.

Euromarts At a Glance

Table with columns: Eurobond Yields, U.S. 1-yr T-bill, etc. Lists yields for various Eurobond issues and U.S. Treasury bills.

Weekly Sales

Table with columns: Primary Market, Secondary Market, etc. Lists weekly sales figures for various markets.

Liber Rates

Table with columns: U.S. 1-yr, 3-month, 6-month, etc. Lists Libor rates for various maturities.

GM May Seek Refund From Hughes

By Andrea Adelson

New York Times Service

LOS ANGELES — General Motors Corp. said it has begun arbitration proceedings with the Howard Hughes Medical Institute to determine if a partial refund of the \$5.2 billion it paid to acquire the Hughes Aircraft Co. is warranted.

Roger B. Smith, GM's chairman and chief executive, said the proceedings would focus on one multi-year contract held by Hughes. That contract was canceled by the Navy a month before the acquisition of Hughes, but no penalties were imposed on the company until 1986.

"Since all parties wanted to proceed with closing the transaction, it was agreed that an arbitration panel could be used to decide later whether or not an adjustment in price is appropriate," Mr. Smith said.

The largest U.S. automaker,

which acquired the military electronics company in December 1985, is apparently seeking restitution for unexpected losses, which include an estimated \$180 million penalty stemming from the aborted Navy contract, the Los Angeles Times reported.

The company failed to develop adequately a jam-resistant communications system, and the Navy extracted the penalty by reducing the prices it paid for other equipment, Allen E. Puckett, the former chairman of Hughes, said in an interview with his Los Angeles home.

The dispute is being arbitrated by a panel consisting of Griffin B. Bell and Nicholas deB. Katzenbach, both former U.S. attorneys general, Robert H. Bork a former federal appellate judge.

Others, however, said they be-

lieved the employment report was not as alarming as it first seemed. Ms. Reiners noted that October's nonfarm payroll figure was revised downward and the manufacturing workweek and overtime were unchanged. But the bond market "did not want to focus on that," she said.

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WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Prices were mixed last week, with some issues moving ahead on encouraging signals from overseas and others dropping back. The ANP-CBS general index was virtually unchanged at 272.8 against 272.9 the previous Friday.

There was active interest in small issues, and total turnover was steady at 4,854 billion guilders, compared with 4,875 billion the previous week.

The market benefited from an improved Wall Street and a reduction in the bearish sentiment surrounding the dollar.

The Kempen & Co. brokerage said it saw a continuation of the uptrend in smaller stocks.

Frankfurt

Prices finished lower, with the Commerzbank index losing 9.1 points on the week to 1,579.3. Some dealers said that low volume indicated that the year-end pause had begun.

Volume on the eight exchanges totaled only 10.83 billion Deutsche marks, against 11.54 billion the prior week. The dull trend was partly caused by higher interest rates in Britain, Switzerland and the United States.

A highlight of the week was the plunge of a former market star, Nixdorf, the computer group, which lost 66.60 DM to finish at 294.50. Private earnings forecasts were sharply revised downward.

London

A gloomy tone persisted, with the market continuing to suffer the effects of poor trade figures and the subsequent one-point increase in interest rates.

The Financial Times industrial index ended the week 22.9 points lower at 1,439.7, while the FT 100-share index closed at 1,765.0, off 29.7 points.

On Monday, fears that the strong pound would erode profits of major exporters unsettled trading. A modest technical rally lifted prices on Tuesday and Wednesday, but thereafter, growing concern over flotation of British Steel darkened the tone. In the event, the issue was oversubscribed, but that brought little relief on Friday.

Oil stocks were also depressed, as traders speculated whether the OPEC production agreement would hold.

Milan

Stocks managed a modest gain. The Comit Index finished the week at 585.25, up from 580.21 the previous Friday.

Paris

Stocks marked time in dull trading with little day-to-day change. The CAC index finished the week at 392.3, down slightly from 393.5 the previous Friday.

That puts the index at about the same level as at the start of November. However, analysts said the Bourse is displaying strong resistance to bad news, including continuing French labor conflicts.

They added that a more fragile market would have been hurt by the recent rise in interest rates, as well as by the announcement of a trade deficit of 4 billion francs in October.

Singapore

Prices fell in quiet trading, with the Straits Times industrial index dropping below the 1,000-point level. The key index lost 11.95 points on the week to end at 999.37 as strong performances in Tokyo and on other regional markets failed to boost sentiment.

Volume fell 25 percent, dropping to 58.6 million units. Monday's volume, at 8.4 million shares, was the lowest in 11 months.

Property stocks dominated trading, with Selangor Properties recording the week's highest volume

Tokyo

Prices soared on the Tokyo Stock Exchange, with the 225-issue Nikkei stock average closing at a record high of 29,665.50 yen, up 301.91 on the week.

Analysts said the Nikkei is expected to reach 30,000 yen in the next few days and that prices would continue advancing at least until the end of January on the back of Japan's strong economy.

The Tokyo market overcame negative factors from the United States, including a slightly higher unemployment rate, as market participants, encouraged by bright prospects for local company earnings, actively sought steel, high-technology, shipbuilding and shipping issues, brokers said.

The daily value of stocks traded averaged 1.38 trillion yen, up from 1.03 trillion the previous week.

Zurich

Operators were hesitant and trading was dull. The Credit Suisse index inched up to 509.9 points from 504.5, but the Swiss Bank Corp. indicator dipped to 547.0 from 547.8.

Nestlé's recent decision to open its registered shares to foreign investors continued to give rise to rumors of similar moves by other Swiss companies, but nothing has materialized.

Oerlikon bearer stock lost 35 francs to 1,050, Compagnie de Reassurance bearer 850 to 10,050 and Sandoz bearer 200 to 10,200.

Japan Official Says France Affirms Investment Stance

Agence France-Press

TOULOUSE, France — French officials have given assurances that they will not retreat from a decision to eliminate prior government permission for foreign investment in France.

Shoichi Akazawa, president of the Japan External Trade Organization, said Friday he had received the assurances from Roger Fauroux, French Industry Minister, during a meeting here.

"At present there is no longer any need for prior permission from the state for foreigners to make direct investments in France," Mr. Akazawa said. "I asked Mr. Fauroux if his government intended to go back on that point, and he reassured me."

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NASDAQ National Market

OTC Consolidated trading for week ended Friday, Dec. 2

Sales in 100s		High	Low	Close	Chg	Net
AAW	10	10.00	9.75	9.87	-0.13	-
ABS	10	10.00	9.75	9.87	-0.13	-
ACC	10	10.00	9.75	9.87	-0.13	-
AD	10	10.00	9.75	9.87	-0.13	-
ADP	10	10.00	9.75	9.87	-0.13	-
ADT	10	10.00	9.75	9.87	-0.13	-
ADW	10	10.00	9.75	9.87	-0.13	-
ADY	10	10.00	9.75	9.87	-0.13	-
ADZ	10	10.00	9.75	9.87	-0.13	-
ADAA	10	10.00	9.75	9.87	-0.13	-
ADAB	10	10.00	9.75	9.87	-0.13	-
ADAC	10	10.00	9.75	9.87	-0.13	-
ADAD	10	10.00	9.75	9.87	-0.13	-
ADAE	10	10.00	9.75	9.87	-0.13	-
ADAF	10	10.00	9.75	9.87	-0.13	-
ADAG	10	10.00	9.75	9.87	-0.13	-
ADAH	10	10.00	9.75	9.87	-0.13	-
ADAI	10	10.00	9.75	9.87	-0.13	-
ADAJ	10	10.00	9.75	9.87	-0.13	-
ADAK	10	10.00	9.75	9.87	-0.13	-
ADAL	10	10.00	9.75	9.87	-0.13	-
ADAM	10	10.00	9.75	9.87	-0.13	-
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ADAO	10	10.00	9.75	9.87	-0.13	-
ADAP	10	10.00	9.75	9.87	-0.13	-
ADAR	10	10.00	9.75	9.87	-0.13	-
ADAS	10	10.00	9.75	9.87	-0.13	-
ADAT	10	10.00	9.75	9.87	-0.13	-
ADAU	10	10.00	9.75	9.87	-0.13	-
ADAV	10	10.00	9.75	9.87	-0.13	-
ADAW	10	10.00	9.75	9.87	-0.13	-
ADAX	10	10.00	9.75	9.87	-0.13	-
ADAY	10	10.00	9.75	9.87	-0.13	-
ADAZ	10	10.00	9.75	9.87	-0.13	-
ADBA	10	10.00	9.75	9.87	-0.13	-
ADBB	10	10.00	9.75	9.87	-0.13	-
ADBC	10	10.00	9.75	9.87	-0.13	-
ADBD	10	10.00	9.75	9.87	-0.13	-
ADBE	10	10.00	9.75	9.87	-0.13	-
ADBF	10	10.00	9.75	9.87	-0.13	-
ADBG	10	10.00	9.75	9.87	-0.13	-
ADBH	10	10.00	9.75	9.87	-0.13	-
ADBI	10	10.00	9.75	9.87	-0.13	-
ADBJ	10	10.00	9.75	9.87	-0.13	-
ADBK	10	10.00	9.75	9.87	-0.13	-
ADBL	10	10.00	9.75	9.87	-0.13	-
ADBM	10	10.00	9.75	9.87	-0.13	-
ADBN	10	10.00	9.75	9.87	-0.13	-
ADBO	10	10.00	9.75	9.87	-0.13	-
ADBP	10	10.00	9.75	9.87	-0.13	-
ADBR	10	10.00	9.75	9.87	-0.13	-
ADBS	10	10.00	9.75	9.87	-0.13	-
ADBT	10	10.00	9.75	9.87	-0.13	-
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ADEP	10	10.00	9.75	9.87	-0.13	-
ADEQ	10	10.00	9.75	9.87	-0.13	-
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ADET	10	10.00	9.75	9.87	-0.13	-
ADEU	10	10.00	9.75	9.87	-0.13	-
ADEV	10	10.00	9.75	9.87	-0.13	-
ADEW	10	10.00	9.75	9.87	-0.13	-
ADEX	10	10.00	9.75	9.87	-0.13	-
ADEY	10	10.00	9.75	9.87	-0.13	-
ADEZ	10	10.00	9.75	9.87	-0.13	-

MILKEN: Dream
 (continued from first finance page)
 legal problems has been overwhelmingly negative, Mr. Milken said the has told his father is the establishment.
 Mr. Milken has two sons, 12 and 10, and a 7-year-old daughter. He was in a 154-page civil complaint in September by the SEC. It is a portrait of a man who has made on inside information and manipulated stock prices and numerous other securities through an illegal arrangement with the SEC. The now-imprisoned Mr. Milken charged that Mr. Milken was involved in certain illegal activities that facilitated huge price increases. Over time, big

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LONDON
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CAI
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وكرام النجل

MILKEN: Dream of Creating Market to Raise Funds For New Companies Turns into Legal Nightmare for King of Junk Bonds

(Continued from first finance page)
Milken's legal problems have been heavy and overwhelmingly negative. Lori Milken said she has told her children that their father is a victim of the establishment.

takeovers have generated fat merger advisory fees for Drexel and even larger financing fees when the firm handled the sale of high-yielding junk bonds. Drexel and Milken have denied the SEC charges.

um-sized companies by selling what came to be known as junk bonds, and his hard work turned the idea into a market that today exceeds \$150 billion.

Drexel's bond department specialized in high-grade issues, but Mr. Milken headed into convertible bonds — bonds that can be converted into common stock under certain conditions — and other less-glamorous financial instruments, including the bonds of troubled companies.

those available on high-grade issues. The basic theory of junk bond investing has been that by buying a diversified portfolio of them, investors can earn a higher rate of return than on more conservative securities.

Mr. Milken teamed up with Drexel investment bankers to increase the supply of junk bonds by working with small and medium-sized com-

panies. These companies obtained needed capital by issuing new junk bonds, with Drexel handling the underwriting.

and about 30 employees to Los Angeles, where he opened a new Drexel office.



Chicago Exchange Options

Table with columns for Option & price, Calls, Puts, and various stock symbols like IBM, GE, etc.

American Exchange Options

Table with columns for Option & price, Calls, Puts, and various stock symbols like AMR, AIG, etc.

NASDAQ National Market

Table with columns for Sales in 100s, High, Low, Close, and various stock symbols like SILEV, SILEVI, etc.

Call To Action

Advertisement for International Herald Tribune featuring a large '30%' discount and subscription information.

Notes About People

President-elect George Bush sent a silver pin shaped like a dove to Ann Richards, the Texas state treasurer whose keynote speech at the Democratic convention included the remark that Mr. Bush was born with a silver foot in his mouth.

Living in the past when you've lived your whole life in the future is depressing.

Michael R. Milken
the late 1960s, he said, he has never expected more of others than he expected of himself.

Wall Street Review

Table with columns for NYSE Most Actives, AMEX Most Actives, NYSE Sales, AMEX Sales, NYSE Diaries, AMEX Diaries.

Large advertisement for International Classified, featuring sections for Escorts & Guides, Regency, Caprice-NYC, and Mayfair Club, with contact information for various agencies.

MONDAY SPORTS

SIDELINES

World's Strongest Woman? Chinese

JAKARTA (Reuters) — China's Han Chang Mei laid claim to the title of world's strongest woman at the women's world weightlifting championships on Sunday. Han beat Karyn Marshall, her American rival in the over 82.5 kilogram (183 pounds) category, with a record-breaking lift of 132.5 kilograms (293 pounds) in the clean and jerk — the heaviest weight any woman has lifted.

Marshall, who held the old record of 125 kilograms, lifted 127.5 kilograms on Sunday but had to settle for the silver medal. A total of 18 world records were set at the championships.

Finnish Ski Jumper Gains in Canada

THUNDER BAY, Ontario (AP) — Risto Laakonen of Finland added the 120-meter hill gold medal Sunday to the silver he won in the 89-meter competition here on Saturday to gain the biggest medal haul in the first World Cup competition of the season.



Dieter Thoma

Erik Johnson, who earned a spot on the Norwegian Olympic team a year ago, came in second Sunday on jumps of 123.5 and 122 meters.

Third place went to Saturday's gold medalist, Dieter Thoma of West Germany. Thoma had two jumps of 122 meters.

Indiana Wins College Soccer Title

BLOOMINGTON, Indiana (AP) — Sean Shappert's penalty-kick goal with 10:06 to play in the first half gave Indiana a 1-0 victory over Howard University on Sunday in the championship match in Division I of the National Collegiate Athletic Association.

Shappert's ninth goal of the season gave the No. 9-ranked Hoosiers their third national title. Their first two were in 1982 and 1983. In the semifinals on Saturday, Howard defeated South Carolina and Indiana beat Portland.

Lendl Beats Edberg, Becker Stops Hlasek to Gain Masters Final

Compiled by Our Staff From Dispatches

NEW YORK — Ivan Lendl, playing his best tennis in three months, reached the final of the Nabisco Masters on Sunday for the ninth consecutive year, beating Stefan Edberg of Sweden, 6-3, 7-6 (7-4).

In the other semifinal, Boris Becker of West Germany became the first to beat Jakob Hlasek of Switzerland in this tournament, with a 7-6 (7-2) 7-6 (7-3) triumph that put him into Monday night's final against Lendl. After a loss to Hlasek in the opening round, Lendl now has won three matches in a row.

Lendl complained repeatedly about spectators taking flash photographs of his match. Two persons were ejected after ignoring warnings by chair umpire Emilio Panatta.

Becker and Hlasek, the two hottest players on the tour, put on a sizzling display before the noisy crowd at Madison Square Garden.

The decisive edge came in the tie breakers. Hlasek made five errors in the first, and Becker won the second with the help of two spectacular running shots. (UPI, AP)



Hlasek: 'Andre gets impatient. He wants to hit winners.'



Agassi: 'I wasn't willing to dig out the extra shot.'

Wilander, Agassi Ousted

Peter Altano of The New York Times reported earlier.

The year of change in men's tennis, which saw fresh faces and scrambled rankings, drew toward a close Saturday night with two of the players responsible for establishing the new order themselves ousted from the Nabisco Masters.

Mats Wilander of Sweden, who ended Lendl's three-year reign at the top of the world rankings last September in the U.S. Open, was eliminated from the season-ending tournament by Edberg, his countryman, 6-2, 6-2.

Andre Agassi, who emerged as the best U.S. player this year, moving up to No. 3 in the rankings, lost his second straight in the competition, a 6-3, 6-2 defeat by Hlasek, of Switzerland. That came on

the heels of his 1-6, 7-6 (7-3), 6-3 loss to Lendl on Friday night, when Hlasek had beaten Tim Mayotte of the United States, 7-5, 6-3.

In the final match that night, Becker, of West Germany had clinched a semifinal berth when Henri Leconte of France retired in the second set with a sprained left ankle. Leconte, trailing by 6-0, 1-0 at the time, was eliminated from the tournament. He had sprained his ankle Thursday night in a loss to Wilander.

In the complicated system of breaking ties to determine who ad-

Tennis Pros Reject Council Offer

NEW YORK (AP) — The Association of Tennis Professionals rejected a last-minute proposal by the sport's ruling body Friday and announced detailed plans for a new player-run men's tour beginning in 1990.

The format for the new tour is similar to one outlined Thursday by the Men's Tennis Council, which has run the Grand Prix circuit since 1974. But the ATP said the council waited too long to come up with its compromise plan.

"If they had put their document on the table at the U.S. Open, we probably wouldn't be standing here today," said Hamilton Jordan, the ATP's chief executive officer.

The ATP and the Men's Council both proceed with their current plans, there will be two competing tours in 1990.

For the Record

In Fukuoka, Japan, Toshihiro Shibutani of Japan on Sunday overtook the marathon world-record holder, Belanyeh Densimo of Ethiopia, in the last 100 meters (330 feet) to win the 23rd Fukuoka International Marathon. (AP)

Iraq, banned from hosting international soccer matches during the Gulf War, will guarantee the safety of athletes playing within its borders and thus can return to hosting matches, a senior Iraqi official has said. (AP)

Quotable

"Kareem Abdul-Jabbar of the Los Angeles Lakers, who is retiring from basketball this season: 'I've had enough competition for a couple of lifetimes.'" (AP)

Thousands Were Right, but Not the One Double Triple Zero

For 25 consecutive days, no one had picked the top three horses in both the third and fifth races at Laurel Race Course outside Washington, D.C. The Double Triple jackpot had grown to a record \$1.8 million. Then, Friday, 8,322 people picked the right three in the third race, and 30 of those were on the money in the fifth race, with the 4-13-11. But it no longer was the jackpot of a lifetime: with 30 people splitting it, each got \$60,977, not almost \$2 million. The following lament came from a bettor who was not even among the 8,322 celebrating after the third race:

By Tony Kornheiser

Washington Post Service

LAUREL, Maryland — System? Sure I had a system. And not something stupid like license plates or jockey's silks colors. I did a code.

Know how you leave the race track with \$1,000? Easy, come with \$2,000. But I didn't come with \$2,000. And I left after the third race. Need I say any more?

Honestly, I can't believe I didn't win this thing. (Luckily the payoff per ticket was only \$60,977.50, so it's not like we're talking about real money.) I was confident. My hunches were good, my moon was rising, and I wore my lucky underwear. If I could bring some live tickets into the fifth race — the second half of the Double Triple at Laurel — I was a lock.

Oh, sure, everyone thinks that a race of 2-year-old maiden fillies — half of whom had never raced before — is indecipherable. But they don't understand track numbers like I do. The fifth was a breeze: Skating Lady, Windy Royal, Mighty Justice. I didn't stick around for the race, but I'm sure if you check the results you'll see I was right.

A gigantic Double Triple like this brings everyone out of the woodwork. (A survey of area librarians revealed that the question asked most often last week was: How do I get to Laurel?) Around the grandstand you saw all sorts of futuristic

looking people: guys working calculators, guys carrying satchels of money, guys wearing fake noses because they called in sick and don't want their bosses to recognize them on the TV coverage.

And the betting lines. Success! By the time you had walked all the way to the end, you were in another school district. After the third race, the cars were in such a stampede to get out it looked like the Oklahoma Land Rush.

I just missed, by the way, in the third race. Yeah, I had all three horses, the 11-1-6 combination. But I had them to finish 5th, 8th and 10th.

For future reference I'm going to explain how I doped out the race — and I use the word "doped" advisedly. First, I eliminated all horses whose names made reference to house pets or anything you can get at a salad bar. Then I scratched jockeys I don't like, numbers I don't like, colors I don't like and any horses named after English Restoration poets.

The third race didn't seem too difficult. It was a \$5,000 claimer, and as my friend Jay so aptly put it, "With horses like this you don't have to Einstein it. They've proven their mediocrity. It's a question whether they're fully lame, or just partially lame." I don't much care for trendy techniques like speed handicapping, trip handicapping, the Bounce Theory, the Dosage Index or the Parallax View. I look for names and numbers I like, then I watch the post parade to see whether the horse I've bet the mortgage on isn't a first cousin to the one that fell asleep standing up in the movie "Cat Ballou."

There were some special bets I set up for the Double Triple, but I didn't have enough money. For example, I wanted to wheel all the numbers the Boston Celtics had retired, but I needed \$130,000.

Anyway, I wound up making seven bets — all of which I'm going to try and sneak onto the expense account because,

heaven knows, if I'd won, I'd have given all the money to my employer. I picked the three best names in the race: Back Alley Jack (I'm a Carol King fan), Safe On Second (I'm a Lou Brock fan, too) and Trophy Man (not a show stopping name, granted, but better than Zuhier and Bumli. Who named these nags, the UNT). That was my 7-11-9 ticket.

I also went for 3-6-7, Ty Cobb's lifetime batting average; 7-1-4, Babe Ruth's home run total; 1-6-7, the score of the New York Jets-Baltimore Colts Super Bowl; 5-1-6, the best area code in the country; 4-5-1, the heat at which spontaneous combustion occurs, and 10-4-5, a good time to wake up.

I got hammered. But sometimes it's not if you won or lost, but how you played the game.

My only regret is that I didn't have the chance to enter the two sweetest words ever heard along the rail: "I'm alive!"

ACROSS

- 1 Roques's gallery photo
- 4 Handel contemporary
- 8 Good
- 12 Henry VIII's sixth wife
- 13 Skin-cream ingredient
- 14 Fabulist of note
- 16 Goya's duchess's duchy
- 17 Goller's warning
- 18 Blook
- 19 Gertz or Laurel
- 20 Overstaidious one
- 22 Summer shoe
- 24 Pitcher Maglie
- 25 Raced
- 27 Alloy containing tin
- 32 Indist strike
- 35 Charity
- 38 Role for Shirley
- 39 Callas was one
- 40 Lake's big brother
- 41 Gravy problem
- 42 Revival-meeting shout
- 43 Opposite of giddyap
- 44 Sound heard by a shepherd
- 45 Light
- 47 Martin or Astor
- 49 Fuzzy TV star
- 51 Hindu religious writing
- 55 Comfort for a nycophobe
- 61 Ayatollah's land
- 62 Circa
- 63 Jolly
- 64 Give temporarily
- 65 Uncle Milne
- 66 Attili's followers
- 67 The — is a Tramp
- 68 Equipment
- 69 Quiz
- 70 What OB's want to gain
- DOWN
- 1 Melia, today
- 2 — sprawl
- 3 Seating area at Aqueduct
- 4 Bewilder
- 5 Mitty or Felipe of baseball
- 6 Dressing-gown adjunct
- 7 Gives careful attention to
- 8 Equestrian's perch
- 9 Ecuador neighbor
- 10 Secondhand
- 11 What a hobo hits
- 12 Manro option
- 15 Snoop
- 21 Puppy sounds
- 23 Copy
- 26 Elan
- 28 Haphazard
- 29 Factual
- 30 Madame Bovary
- 31 Entranced
- 32 State north of Neb
- 33 "La Boheme" heroine
- 34 Pizzeria appliance
- 38 Fifth sign of the zodiac
- 37 Pathologic contraction
- 43 Healthy
- 44 Bikini part
- 46 — day Saints
- 48 Swear
- 50 Boating match
- 52 Tire part
- 53 South African coins
- 54 Rooney or Griffin
- 55 Snatch
- 56 — mortality... Snak
- 57 Novelist Vidal
- 58 Wahne's dance
- 59 Epoxy
- 60 Coop mainrachs

12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54

55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70

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WEATHER

EUROPE		ASIA		NORTH AMERICA	
High	Low	High	Low	High	Low
Algeria 17-23	12-18	Bangkok 30-36	25-31	Anchorage 1-7	-2-4
Austria 16-22	11-17	Beijing 25-31	20-26	Boston 4-10	-1-5
Berlin 16-22	11-17	Hong Kong 25-31	20-26	Chicago 13-19	8-14
Bombay 28-34	23-29	London 12-18	7-13	Detroit 10-16	5-11
Buenos Aires 20-26	15-21	Manila 25-31	20-26	Houston 18-24	13-19
Calcutta 28-34	23-29	Osaka 25-31	20-26	Los Angeles 18-24	13-19
Cairo 20-26	15-21	San Francisco 12-18	7-13	Madison 10-16	5-11
Canton 28-34	23-29	Seattle 10-16	5-11	Minneapolis 10-16	5-11
Chengde 25-31	20-26	Shanghai 25-31	20-26	New York 12-18	7-13
Chongqing 25-31	20-26	Singapore 28-34	23-29	San Jose 12-18	7-13
Colombo 28-34	23-29	Taipei 25-31	20-26	St. Louis 10-16	5-11
Dacca 28-34	23-29	Tokyo 25-31	20-26	Washington 10-16	5-11
Delhi 28-34	23-29	Urumqi 25-31	20-26	Wichita 10-16	5-11
Hankow 25-31	20-26	Yokohama 25-31	20-26		
Hong Kong 25-31	20-26				
Kobe 25-31	20-26				
London 12-18	7-13				
Lyons 12-18	7-13				
Madrid 16-22	11-17				
Moscow 16-22	11-17				
Paris 16-22	11-17				
Peking 25-31	20-26				
Rangoon 28-34	23-29				
Seoul 25-31	20-26				
Shanghai 25-31	20-26				
Singapore 28-34	23-29				
Taipei 25-31	20-26				
Tokyo 25-31	20-26				
Yokohama 25-31	20-26				

MONDAY'S FORECAST — CHAMPELL: Rough. FRANKFURT: Cloudy. LONDON: Partly cloudy. NEW YORK: Partly cloudy. PARIS: Partly cloudy. TOKYO: Partly cloudy. WASHINGTON: Partly cloudy.

DENNIS THE MENACE

BOY HOW LONG DOES IT TAKE TO MAKE TOAST IN A DRYER, ANYWAY?

JUMBLE

Unscramble these four jumbles, one letter to each square, to form four ordinary words.

LOBOD
AXTEC
TRIMAN
GARLJJA

Answer here: _____

PEANUTS

HAVEN'T YOU HEARD? THE SCHOOL BOARD HAS CANCELED YOUR CHRISTMAS PLAY...

WHAT?!

IT WAS TOO CONTROVERSIAL.

HOW COULD IT BE CONTROVERSIAL? I DIDN'T EVEN UNDERSTAND IT!

BLONDIE

HONEY, DO YOU REMEMBER THE DAY WE WERE MARRIED?

I SURE DO.

I REMEMBER THERE WAS NO HORSESHOE ON THE PRIME RIB.

OH, THAT WAS REALLY GOOD.

HEY, LOOK, WE ALL HAVE OUR PRIORITIES.

BEEBLE BAILEY

WHY WOULD BEEBLE SUDDENLY ASK FOR TRIPLE HELPINGS TONIGHT?

DARNED IF I KNOW.

MAM... THIS IS DELICIOUS!

HOW'S THE DIET, SARGE?

DOONESBURY

MICHAEL! YOU COULD LEAVE ME SUCH A TIT!

GIVE ME A BREAK, JIM! I HAD NO IDEA I WAS BRINGING A BIRD HOME.

WHERE ARE YOU GOING TO PUT THESE?

I DUNNO, I GUESSED WITH ME.

ARE YOU HOPING THESE ARE ROOMS IN YOUR CO-OP?

LIKE, HI!

THERE'S A WOMAN CREATING IN OUR CO-OP.

THIS ISN'T PARLORS, JIM. SHE'S GIVING A FEW MINUTES!

ANDY CAPP

GOOD FLOP!

FAIR, ALBY.

WHAT ARE YOU CROWDING LIKE?

IT WORE A GRAY CAP AND A RAINCOAT.

WIZARD of ID

I'M LEAVING HOME TO SEEK MY FORTUNE.

WHAT ABOUT THE LIVESTOCK... AND THE BARN?

I ALREADY LOOKED THERE.

REX MORGAN

WHEN DR. MORGAN MAKES HIS EARLY MORNING VISITS AT THE HOSPITAL, HE FINDS A TEARFUL TENDERLY CRIBON WAITING FOR HIM.

AS I SAID, I WOKE UP AT FOUR THIS MORNING. I CALLED THE NURSES' STATION AND WHEN THEY TOLD ME VERA WAS OUT OF THE ROOMS, I HURRIED OVER HERE. COMA, I WAS SO HAPPY...

BUT WHEN I SAW HER, I REALIZED SOMETHING WAS WRONG. SHE DIDN'T KNOW ME! SHE SMILED AND BABBLED LIKE A CHILD!

WE'LL JUST HAVE TO GIVE HER A LITTLE TIME, JEFFREY!

GARFIELD

GEE, I CAN'T DECIDE WHETHER TO HAVE SOME PIE OR SOME CAKE.

OH, GARFIELD!

HAVE SOME PIE.

Solution to Friday's Puzzle

REALM LEAR DIP
ASPIC ELLA AGER
STEPHEN KING KONG
HEX BATS CHORDS
RHS PHAT
BILLYQUEENANNE
READY ULTRA EVA
ILYA LIVES TABS
GIE SIAAR ARTIE
HAROLD PRINCEHAL
BEYS AGE
ISORDE ANGE ABE
DORTS DRESIDERS
ALOG EMOR TSARS
EYIE NEDD STYINE

صكزامن الامل

POSTCARD

Wine and Architecture

By Frank J. Priol
New York Times Staff
PARIS — Some years ago I tagged along with a group of Americans who were touring the Bordeaux wine country.

the notion of the wine chateau, representing as it does, not only the place where wine is made and aged, but also the prestigious symbol of the wines of the entire region.

To explore the Bordeaux tradition, Dethier has assembled what must be one of the finest wine museums anywhere. A number of oenological paintings were commissioned. A section on Bordeaux today highlights the problems facing chateau owners who seek to preserve the architectural traditions of the region in the face of implacable commercial and residential expansion.

The final section of "Chateau Bordeaux" is given over to plans and models for hypothetical projects — "imaginary chateaux" — and to a proposal for the redevelopment of the riverfront in the city of Bordeaux, the famed Quai des Chartrons and Quai de Basail, now largely abandoned, from which Bordeaux wines once were shipped all over the world.

THROUGHOUT the exhibition, the presence, influence and wine philosophy of California is never far from the surface. For three centuries, the Bordeaux wine community was a closed world. The great chateaux were private places. Favored importers from abroad were entertained but rarely anyone else.

The exhibition runs through Feb. 20 then goes to Bordeaux for VINEXPO, a major wine industry fair. Later it will tour Europe, North America and the Far East.

The competition showed Jean Dethier, the Pompidou Center's director of architectural projects, that a museum can play a central role in shaping the aesthetic of a commercial operation. He enlisted Michel Guillard, a photographer and co-editor of L'Amateur de Bordeaux, an elegant limited circulation magazine devoted to the wine scene.

Dethier quickly learned that many of the great Bordeaux chateaux were in danger. Magnificent 18th-century houses had been abandoned, engulfed by urban sprawl or defiled with concrete additions built by profit-oriented new — and often absentee — owners.

Chateau Bordeaux, the exhibition, is a veritable "civilization of wine" which is manifested by a relation, both traditional and privileged, between the quality of its wines and richness of its architecture.

A Guccione With His Own Spin

By Mike Zwerin
International Herald Tribune
PARIS — This month marks the first anniversary of the second coming of Spin — or March will be its third birthday if you date it from the first coming. Reading this music-based, youth-oriented monthly magazine, people over 30 may recall that Peter Lorre once said "time is a crook" and that Sophie Tucker, when asked if she had anything to say to youth, responded: "Grow up."



Spin aims "at an imaginary young person — me 10 years ago."

There were no market surveys, no number zeroes. He spent his last \$35,000 to put the first issue on the stands in March, 1985, before realizing he was operating far out-of-date information. The market had turned. MTV and fears of recession were putting music magazines out of business. He compares the experience to "starting up a car in third gear. If by frenzied pedaling you've managed to get some gas to the engine, it still doesn't make it a good idea. It's just something you got away with."

But lazy, indifferent politically you could wink him up if you push the right button, socially ignorant yet with good instincts. Penthouse originally bankrolled Spin and many people thought it was all over after a decision to end the arrangement in the fall of 1987. Guccione says the decision was mutual and without animosity: "If anything it saved my relationship with my father. I wouldn't want to work with my son when I have one."

Although he says he does not feel competitive with his father, he has, after refinancing, been working very hard to prove something to somebody. Circulation is at 140,000, the break-even point, and rising. Advertising rates are going up in January.

Protective, and somewhat defensive, he says: "My father was breaking a lot of good stories in the '70s. Working his way up in the family business through advertising, promotion and circulation, he thought there was nothing worse than such boredom until he took time to write a novel (unpublished) and realized that writing is 'a horrible sickness, like malaria. It never really goes away, you just have to treat it.'"

Although Guccione calls assigning Norman Mailer to cover the Mike Tyson-Michael Spinks fight "a signal to the advertising industry that we're serious," it also reflects the general current vogue of pushing previously pushed buttons. Let us forget Mailer covered the 1974 Muhammad Ali-George Foreman fight in Kinshasa for Playboy. It is no coincidence that the new

Mailer prizefight article, which reads like the old one, was published at the same time as the release of the new Crosby, Stills, Nash and Young album, which sounds like their old ones.

We are living in the age of reruns. Spin's December cover features a portrait of a popular female rock band which recently released a self-titled album called "The Bangles" with a look-alike "The Beatles" jacket design. ("The cover sells the magazine, not good writing," admits Guccione.) Today's pop music does not deserve to be well-written about. The stories Guccione is proud of deal with subjects other than music.

"We were the first to write about the crack epidemic, in 1985. Some cops I knew in Harlem called me up and said, 'How did you know about that? We just heard about it ourselves.' We are the only national non-pap magazine to have a regular AIDS column. We broke the story about the correlation between syphilis and AIDS. We were the first to write about Jimmy Swagart stealing money, seven months before his fall."

It is a good idea to return a telephone call from a Spin editor today; he or she may no longer be working there next week. Guccione is "willing to take part of the blame for the high turnover. But it is also to be expected by definition. A youth-oriented magazine must be constructed primarily by young people, who are usually in the process of some sort of change. Their passions keep changing, or they get out of band and you have to drag them out. Like I'd love a nice about rock music but not 18,000 words by 12 Algerian writers."

"Another problem is that a lot of people burn out on rock 'n' roll. One of two things happens. Either they become lost in it and drown, become one of those perennial music criticism hacks. Or they hit this wall and say, 'Enough. I never want to write about rock 'n' roll again.' We had one editor, she was 19, who just disappeared. A few days later, she called from California and said she didn't want to write any more and could we send out her records. We didn't even know she'd quit. We sent her records."

Gifts of Gab for 1989

By William Safire
WASHINGTON — An Italian, when bidding farewell formally, says *arrivederci* (literally, "to see each other again"). When more relaxed, the person waving goodbye says *ciao*.

This is the sort of delicious information you cannot find in most dictionaries. It comes popping out at you, roots and all, from the Barnhart Dictionary of Etymology, published by H.W. Wilson, \$59. Robert K. Barnhart, editor; Sol Steinmetz, managing editor.

There's been only one major general college-sized dictionary published this year (you can't call the adjective *collegiate* in modifying dictionaries, because the word in that sense is trademarked by Merriam-Webster). The new book is Webster's New World Dictionary of American English, Third College Edition; Victoria Neufeld, editor in chief; list price \$17.95.

Oh, the brave new words that have made it in *WNWD*: *contrarian*, for those smart apples who were selling before the market crash; *ROM* (read-only memory) for the inalterable Mr. Computer Chips, and *RAM* (random-access memory) for the kind that you can call up directly; *low-ball*, a verb meaning "to give an understated price... especially without intending to honor it."

Candy-as-made-it, too; the slang term, defined as "weak, hesitant, or ineffectual person; wimp; sissy," was first printed in *The New York Times* as part of the Watergate tapes, when Richard Nixon used it to derogate a recalcitrant colleague.

Word lovers enjoy a good quotation book. Here's a ring-bound (*WNWD*: "wildly exciting") entry that belongs between your Bartlett's and your Menckens'; Simpson's Contemporary Quotations, by James B. Simpson, Houghton Mifflin, \$19.95, for "the most notable quotes since 1950."

The anthologist includes Henry Kissinger's "Next week there can't be any crisis. My schedule is already full." (But leaves out "There is at hand.") Bob Costello: "I believe in opening mail once a month, whether it needs it or not." If your gift is a word specialist, and you can afford it, try the Loanwords Dictionary, Laurence Urdang and Frank R. Adams, editors, \$80, a lexicon of foreign phrases used in English that retain their exotic flavor — *roman à clef* and *lingua franca* and *ad nauseam* and *aspera*. (Not it turns out to be *per aspera ad astra*, "through hardship to the stars." Urdang is becoming America's Samuel Johnson, bringing out dictionaries of abuses, of mottoes, of idioms and you name it. Gale Research, at Book Tower, Detroit, Michigan 48226, can send you a list of his books.)

Less expensive? A stocking stuffer that is also a mind stuffer can be found in these paperback: "There Is No Zoo in Zoology and Other Beastly Mispronunciations: An Opinionated Guide for the Well-Spoken," by Charles Hixington Elster, Collier, \$6.95; *STRONG-ER-OR-NOT*, not EKS-truh-OR-di-er-ee.

Finally, the best compliment you can give to somebody who appreciates the gentle art of crossword puzzles is "America Observed" by Allan Conner, Algonquin, \$19.95. My responsibility discharged, I will now take a brief vacation, so *Ciao*. (No, I am not your slave.)

New York Times Service

Advertisement for 'NOW AVAILABLE THIS SPACE FOR YOUR AD' featuring various services like moving, real estate, and employment.

INTERNATIONAL CLASSIFIED

Real estate classified section with multiple listings for houses, apartments, and commercial properties in various international locations.

FOR MORE INFORMATION CONTACT... featuring employment opportunities, travel services, and other international classifieds.

Chopard Genève advertisement featuring a detailed image of a watch and text describing its craftsmanship and availability at leading jewellers worldwide.

International Business Message Center advertisement offering various business services, including investment opportunities, legal services, and office space.

Advertisement for 'The Dollar' magazine, highlighting its international focus and subscription information.

Vertical sidebar advertisement for 'Trade Talk By U.S.-EC' and other international news and market analysis.